HARBOUR CENTRE DEVELOPMENT LIMITED

海港企業有限公司

2009

Interim Report to Shareholders

for the six months ended 30 June 2009

致股東中期報告書

截至二〇〇九年六月三十日止六個月

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Group Results

The severe general economic downturn affected all businesses across Hong Kong.

The hotel sector was one of the hardest hit, with turnover declining by 22% and operating profit declining by 42%. Investment profit (including unrealised profit) suffered a decline of 26%. Property development projects are at an early stage of development and made a small unfavourable contribution.

The unaudited Group profit attributable to Shareholders for the six months ended 30 June 2009 amounted to HK$230.6 million, a decrease of 20% as compared with the corresponding period last year (2008: HK$289.2 million). Earnings per share were HK$0.41 based on the weighted average of 568.6 million shares in issue (2008: HK$0.65 on 442.1 million shares).

The Group's profit has included an investment property revaluation surplus (after related deferred tax) of HK$63.9 million (2008: HK$104.7 million and the related deferred tax credit of HK$10.9 million resulted from the 1% tax rate reduction). Excluding this, profit for the period under review would be HK$166.7 million (2008: HK$173.6 million) for a decrease of 4%.

Interim Dividend

The Board has declared an interim dividend of HK$0.05 (2008: HK$0.05) per share, payable on 25 September 2009 to shareholders on record as at 18 September 2009, absorbing a total amount of HK$35.4 million based on 708.8 million shares as enlarged by the rights issue completed in May 2009 (2008: HK$23.6 million based on 472.5 million shares).

Management Discussion and Analysis

Business Review

Against the backdrop of the severe global economic downturn, all businesses across the board were shadowed. The hotel industry was one of the hardest hit.

Turnover and operating profit of the **Hotel Segment** fell by 22% and 42% respectively to HK$179.2 million and HK$41.4 million on a considerable drop in average room rates and occupancy during the period. The segment bore the brunt of the global recession and human swine flu pandemic, and fell victim to dwindling market demand. Accordingly, average occupancy at the Marco Polo Hongkong Hotel ("MPHK Hotel") dropped to 75% and a 20% drop in average room rates was registered during the period.

The **Property Investment Segment** was relatively less affected. Total revenue and operating profit dropped mildly by 2% and 1% to HK$62.8 million and HK$52.0 million respectively, primarily on a moderate drop in occupancy for the retail area in MPHK Hotel arising from a realignment of tenant mix.

The Group's investment properties, comprising the office and retail areas in MPHK Hotel and the Star House retail units were revalued by an independent valuer as at 30 June 2009. The net revaluation surplus after deferred tax was HK$63.9 million during the period (2008: HK$104.7 million).

China Properties

In spite of the global economic downturn, the fundamental outlook for the real estate market in China remains positive on the back of the rapid pace of urbanisation, vibrant economic development and high savings rate in the Mainland. As at the end of June 2009, the total developable area attributable to the Group was about 26 million square feet, comprising five prime sites in the cities of Changzhou, Suzhou, Chongqing and Shanghai owned either solely or through joint ventures with reputable local property companies. Given that these projects are still at an early stage of development, the Property Development Segment made a small unfavourable contribution during the period.

In April, the Group swapped its 40% interest in a land parcel in Hangzhou co-owned with Greentown China Holdings ("Greentown") for a land parcel in Shanghai wholly-owned by Greentown. The project in Shanghai is superbly located in Yangpu District (楊浦區) within the Xinjiangwancheng sub-district community (新江灣城社區), an area with abundant green and wet land. The land lot boasts a site area of 0.6 million square feet and offers a plot ratio GFA of 1.08 million square feet. It is adjacent to a station of the Shanghai Metro Line 10 which is expected to be in operation by 2010. The development comprises high end medium-rise residences. Construction is underway and scheduled for completion by 2012.

In Chongqing, a land parcel ideally located in Jiangbei City (江北城), facing the Yangtze River (長江) in the east and north and Jialing River (嘉陵江) in the south is being developed by the Group and China Overseas Land on a 55:45 basis into a high end residential project. The area is to become the future Central Business District (CBD) with good transportation links. Three bridges crossing Jialing River and Yangtze River to the old CBD (渝中區) and the new headquarters hub (彈子石區) have already been built. In addition, there will be light railway line 6 and line 9 passing this area with respective station nearby the site. Developments in this new CBD include a City of Memory (記憶之城) comprising public facilities, three theme parks and shopping centres, together with a City of Future (未來之城) comprising Grade A office buildings, 5-star hotels and shopping centres. Being adjacent to the Chongqing City Grand Theatre (重慶大劇院), the Chongqing Science Museum (重慶科技館) and the 100,000-square-metre Central Park (中央公園), the land parcel boasts a site area of about one million square feet and offers a plot ratio GFA of 2.5 million square feet attributable to the Group. Design work is underway and this prestigious residential development is scheduled for completion in phases by 2014.

Two land parcels on Xinghu Jie (星湖街) and Xiandai Da Dao (現代大道) in Suzhou Industrial Park (蘇州工業園區) in Suzhou are being developed by a joint venture 80:20 owned by the Group and Genway Housing Development Group (蘇州工業園區建屋發展集團). Suzhou, among the top and most vibrant second-tier cities, is at the heart of Yangtze River Delta with strong manufacturing and trading sectors. The city has a population size of 6.3 million and posted a 13% GDP growth in 2008, beating the national average. The two land parcels in the city command a total site area of 5.65 million square feet and offer a plot ratio GFA of 13.5 million square feet attributable to the Group. Planning and design for the developments of the two land parcels is in progress. Construction is scheduled to be commenced by mid 2010.

A 400-metre skyscraper landmark (mixed office and apartment building), the tallest building in the city with panoramic view over Jinji lake (金雞湖) and Suzhou City skyline, will be built at the site of Xinghu Jie, which is superbly located in the prime and central location at the new CBD of Suzhou. Underground connections are being constructed to provide seamless access to two nearby subway stations. The parcel also enjoys well-established regional transportation networks with very efficient highway and rapid train networks connecting to Shanghai, Hangzhou and Nanjing.

Another land parcel located at Xiandai Da Dao will house sizeable residential developments to cater for the solid and steady demand for residential premises especially in Suzhou Industrial Park, where master town planning is of international standard. Ideally located on the axis of eastern expansion of Suzhou along the main east-west thoroughfare of Xiandai Da Dao and next to the future subway terminal, the site is divided into four plots, each of which will be developed by phases into high-end residential developments.

The Changzhou project is ideally located in the prime area of Xinbei District (新北區), five kilometres away from the city centre, in the vicinity of China Changzhou Dinosaur Land theme park (中華恐龍園) and Xin Qu Park (新區公園)). Changzhou, with more than 2,500 years' cultural history, is 170 kilometres from Shanghai and 110 kilometres from Nanjing. Together with the adjacent Suzhou and Wuxi, Changzhou constitutes the Su-Xi-Chang city belt (蘇錫常都市圈), one of the most affluent regions in China. The city has a population of 5.5 million and its GDP reached RMB220.22 billion in 2008. The average household consumption expenditure in the city ranked second in Jiangsu Province. In 2008, Changzhou was listed by Forbes as one of The Best Business Cities in China. The land parcel acquired by the Group is in the core area of the new north administrative area, near to the national AAAA scenic area – "China dinosaur garden". It commands a total site area of 4.4 million square feet and offers a plot ratio GFA of 8.7 million square feet. It boasts superb air-sea-land transportation links to Changzhou Airport and Huning Express Railway. The development, situate in the future CBD, comprises mainly high-end residences including high-rise buildings, semi-detached houses and row of villas, a 5-star hotel and a State Guest House. The whole project is scheduled for completion in phases by 2017, with the first phase of presales targeting to be launched by end 2009. The hotel and State Guest House are expected to open in 2013.

Financial Review

(I) Review of 2009 Interim Results

Turnover

The unprecedented financial turmoil followed by the spread of human swine flu pandemic adversely impacted the Group's hotel business in the first half of 2009. Group turnover slipped by 21% to HK$260.2 million (2008: HK$329.7 million).

Hotel Segment generated a total revenue of HK$179.2 million (2008: HK$229.5 million) with a decline of 22% due mainly to the decrease in room revenue. Market demand softened particularly after the spread of human swine flu. MPHK Hotel's achieved room rate fell by 20% year-on-year and room occupancy dropped to 75%. Food and beverage revenue declined by 8%, reflecting the change in spending pattern of guests in response to the economic downturn.

Property Investment revenue dropped marginally to HK$62.8 million (2008: HK$63.9 million). The revamp of the Star House units completed in the last quarter of 2008 improved occupancy and hence revenue but that was more than offset by the decrease in rental income from MPHK Hotel's retail areas, which were under a realignment program for tenant mix.

Investment and Others Segment's interest and dividend income derived from the Group's surplus cash and investment decreased by 50% to HK$18.2 million (2008: HK$36.3 million), reflecting contraction of the Group's investment portfolio and the prevailing low interest rate environment.

Operating Profit

The Group's operating profit decreased by 28% to HK$171.8 million (2008: HK$238.4 million). Hotel Segment's profit dropped by 42% to HK$41.4 million. Property Investment Segment reported HK$52.0 million, which was in line with 2008.

For Investment and Others Segment, profit decreased to HK$89.9 million (2008: HK$122.1 million) due to the absence of profit from sale of investments (2008: HK$88.3 million) and decrease in interest and dividend income. This was alleviated by a net exchange gain of HK$68.3 million (partly unrealised) which arose from the foreign exchange contracts entered into earlier to lock in liabilities in Japanese Yen to finance the Group's Reminbi assets in the Mainland. During the period under review, US dollar appreciated against the Yen.

Increase in Fair Value of Investment Properties

The Group's completed investment properties were revalued by an independent valuer as at 30 June 2009, producing a surplus of HK$76.5 million (2008: HK$ 125.4 million). The net surplus after deferred tax taken to the income statement was HK$63.9 million (2008: HK$104.7 million). The Group's investment properties under development were not carried at fair value until at the earlier of when their fair values first become reliably measurable and the dates of their respective completion in accordance with the revised accounting standard HKAS 40, which expands the definition of an investment property to include an investment property being under development.

Finance Costs

Net finance costs for the period decreased to HK$7.5 million (2008: HK$32.9 million), resulting from the low average interest rate of 0.8% p.a. for the Group's bank borrowings. The charge was after capitalisation of HK$4.3 million (2008: Nil) for the Group's China projects.

Share of Results after Tax of Associate and Jointly Controlled Entities

Share of profits of the associate and jointly controlled entities after tax was HK$15.8 million (2008: loss of HK$2.0 million). This was mainly derived from a write back of excess contingent development cost for a former property project undertaken by the associate, but partly offset by start-up losses incurred by the jointly controlled entities that engaged in property projects, which are at their early stages of the developments.

Taxation

The charge for the period decreased to HK$26.0 million (2008: HK$39.6 million), broadly in line with the decrease in operating profit and revaluation surplus recorded for the period under review.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the period ended 30 June 2009 amounted to HK$230.6 million (2008: HK$289.2 million), representing a decrease of HK$58.6 million or 20%. Earnings per share were HK$0.41 based on a weighted average of 568.6 million shares in issue (2008: HK$0.65 on 442.1 million shares as restated for the Rights Issue), taking into account the 236.3 million new shares issued during the period.

Excluding the net investment property surplus of HK$63.9 million (2008: HK$104.7 million and the related deferred tax credit of HK$10.9 million resulted from the 1% tax rate reduction), the Group's net profit for the period was HK$166.7 million, representing a decrease of 4% over last year (2008: HK$173.6 million).

(II) Liquidity, Financial Resources and Capital Commitments

Rights Issue

In May 2009, the Company completed a Rights Issue for 236.3 million new ordinary shares at HK$3.99 each with net proceeds of HK$935.2 million.

Shareholders' Equity

As at 30 June 2009, the Group's shareholders' equity was HK$8,380.2 million, equivalent to HK$11.82 per share based on 708.8 million issued shares as enlarged by the Rights Issue in May 2009 (31 December 2008: HK$14.96 per share based on 472.5 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 as at 30 June 2009 carried out by an independent valuer would give rise a revaluation surplus of HK$2,542.8 million and increase the Group's shareholders' equity to HK$10,923.0 million, equivalent to HK$15.41 per share.

Total Assets

The Group's total assets increased by 8% to HK$12,413.2 million (31 December 2008: HK$11,507.1 million), mainly due to the increase of HK$750.4 million bank deposits and cash derived from the Rights Issue completed in May 2009.

The Group's major assets included properties under development of HK$6,029.8 million, interest in a jointly controlled entity of HK$981.0 million and investment properties of HK$2,359.0 million. Other major assets included bank deposits and cash of HK$2,008.8 million and available-for-sale investments of HK$855.1 million.

In previous years, investment properties which are under development were not classified as investment property and were stated at cost by the Group. As a result of the change in the relevant accounting standard, such properties in the amount of HK$402.2 million have been classified as investment property and have to be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. No fair value gain or loss was recognised from such properties under development during the period.

In April 2009, the Group completed a share swap transaction and effectively disposed of its 40% interest in the Lanseqianjiang project in Hangzhou for a 100% interest in the Xinjiangwancheng project in Shanghai with a net cash inflow of RMB145.1 million. The share swap resulted in a decrease in interest in jointly controlled entities of HK$1,605.7 million and a corresponding increase in properties under development.

Debt and Gearing

As at 30 June 2009, the Group had net debt of HK$791.2 million (31 December 2008: HK$1,806.6 million), which was made up of HK$2,800.0 million of bank borrowings less HK$2,008.8 million of cash. The gearing ratio to shareholders' equity was 9.4% (31 December 2008: 25.6%).

Finance and Availability of Facilities and Funds

As at 30 June 2009, the Group's available loan facilities amounted to HK$4,050.0 million, of which HK$2,800.0 million was drawn. Certain banking facilities of the Group were secured by mortgages mainly over the Group's hotel and investment properties with total carrying value of HK$1,657.2 million (31 December 2008: HK$2,174.1 million).

The Group's debts were primarily denominated in Hong Kong dollar ("HKD") and United States dollar ("USD"). Reminbi borrowings will be sourced to finance the development cost of the China projects apart from their land cost.

The use of derivative financial instruments was strictly controlled. The majority of the derivative financial instruments entered into by the Group were primarily used for management of the Group's interest rate and currency exposures.

Net Cash Flows for Operating and Investing Activities

For the period under review, the Group had net operating cash outflow of HK$34.8 million (2008: HK$3,380.3 million, substantially for payments of land cost for developments in China). For investing activities, the Group had a net cash inflow of HK$185.9 million, mainly arising from the above-mentioned share swap. Net proceeds of HK$935.2 million from the Rights Issue was received in May 2009.

The Group maintained a reasonable level of surplus cash, which was denominated principally in HK dollar and Reminbi, to facilitate the Group's business and investment activities. As at 30 June 2009, the Group also maintained a portfolio of investments primarily consisting of blue chip securities, with an aggregate market value of HK$855.1 million (31 December 2008: HK$604.0 million), which is available for liquidation to meet the Group's commitment if necessary. The performance of the portfolio was in line with the general market.

Capital Commitments

As at 30 June 2009, the Group's total outstanding commitments to properties under development in the Mainland, both by the Group and through jointly controlled entities, amounted to HK$15.8 billion, of which HK$1.1 billion had been contracted for. Included in the commitments was land cost of HK$0.9 billion payable in the second half of 2009. The committed property developments will be carried out by stages in the forthcoming years and funded by internal financial resources, proceeds from property pre-sales and bank loans.

(III) Human Resources

The Group had approximately 460 employees as at 30 June 2009 (31 December 2008: 470). Employees are remunerated according to their job responsibilities and the market pay trend with a discretionary annual performance bonus as variable pay for rewarding individual performance and contributions to the Group's achievement and results. Total staff costs for the period ended 30 June 2009 amounted to HK$62.9 million (2008: HK$63.7 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 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, a substantial number thereof being independent Non-executive Directors.

Consolidated Income Statement
For the six months ended 30 June 2009

	Note	**Unaudited 6 months ended 30/6/2009 HK$ Million**	Unaudited 6 months ended 30/6/2008 HK$ Million
Turnover	2	**260.2**	329.7
Other net income	4	**71.6**	82.3
Direct costs and operating expenses		**(127.7)**	(136.0)
Selling and marketing expenses		**(11.2)**	(12.8)
Administrative and corporate expenses		**(7.5)**	(7.1)
Operating profit before depreciation, amortisation, interest and tax		**185.4**	256.1
Depreciation and amortisation		**(13.6)**	(17.7)
Operating profit	3	**171.8**	238.4
Increase in fair value of investment properties		**76.5**	125.4
Finance costs	5	**(7.5)**	(32.9)
Share of results after tax of:			
Associate		**17.6**	(0.2)
Jointly controlled entities		**(1.8)**	(1.8)
Profit before taxation		**256.6**	328.9
Taxation	6(b)	**(26.0)**	(39.6)
Profit for the period		**230.6**	289.3
Profit attributable to:			
Equity shareholders		**230.6**	289.2
Minority interests		**—**	0.1
		230.6	289.3
Earnings per share	7	**HK$0.41**	HK$0.65

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Unaudited 6 months ended 30/6/2009 HK$ Million	Unaudited 6 months ended 30/6/2008 HK$ Million
Profit for the period	**230.6**	289.3
Other comprehensive income for the period (after taxation and reclassification adjustments):		
Exchange difference	**(37.6)**	278.0
Available-for-sale investments:	**258.1**	(468.6)
Surplus/(deficit) on revaluation	**258.1**	(338.2)
Less: reclassification adjustments for gains included in profit or loss on disposal	**—**	(130.4)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**451.1**	98.7
Total comprehensive income attributable to:		
Equity shareholders of the company	**448.9**	86.0
Minority interests	**2.2**	12.7
	451.1	98.7

Consolidated Statement of Financial Position

As at 30 June 2009

	Note	Unaudited 30/6/2009 HK$ Million	Audited 31/12/2008 HK$ Million
Non-current assets			
Fixed assets			
Investment properties		**2,359.0**	1,877.0
Leasehold land		**15.2**	15.2
Other property, plant and equipment		**71.1**	80.4
Interest in an associate		**18.3**	0.7
Interest in jointly controlled entities		**981.0**	2,586.7
Available-for-sale investments		**855.1**	604.0
Long term receivables		**0.5**	0.5
Derivative financial assets		**—**	2.9
		4,300.2	5,167.4
Current assets			
Properties under development		**6,029.8**	4,972.6
Inventories		**3.1**	3.4
Trade and other receivables	8	**57.1**	105.3
Derivative financial assets		**14.2**	—
Bank deposits and cash		**2,008.8**	1,258.4
		8,113.0	6,339.7
Current liabilities			
Trade and other payables	9	**177.7**	180.9
Derivative financial liabilities		**—**	165.8
Taxation payable		**82.1**	77.4
		259.8	424.1
Net current assets		**7,853.2**	5,915.6
Total assets less current liabilities		**12,153.4**	11,083.0
Non-current liabilities			
Employee retirement benefit liabilities		**4.0**	3.6
Derivative financial liabilities		**8.7**	1.3
Bank loans		**2,800.0**	3,065.0
Deferred taxation		**262.5**	250.3
		3,075.2	3,320.2
NET ASSETS		**9,078.2**	7,762.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2009

	Note	**Unaudited 30/6/2009 HK$ Million**	Audited 31/12/2008 HK$ Million
Capital and reserves			
Share capital	10	**354.4**	236.3
Reserves		**8,025.8**	6,830.7
Shareholders' equity		**8,380.2**	7,067.0
Minority interests		**698.0**	695.8
TOTAL EQUITY		**9,078.2**	7,762.8

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Shareholders' equity							
	Share capital HK$ Million	Share premium HK$ Million	Investments revaluation reserve HK$ Million	Revenue reserve HK$ Million	Exchange reserve HK$ Million	Total shareholders' equity HK$ Million	Minority interests HK$ Million	Total equity HK$ Million
At 1 January 2009	**236.3**	**2,469.9**	**161.0**	**3,928.7**	**271.1**	**7,067.0**	**695.8**	**7,762.8**
Total comprehensive income for the period	**—**	**—**	**258.1**	**230.6**	**(39.8)**	**448.9**	**2.2**	**451.1**
Rights issue	**118.1**	**817.1**	**—**	**—**	**—**	**935.2**	**—**	**935.2**
Dividends approved in respect of the previous year	**—**	**—**	**—**	**(70.9)**	**—**	**(70.9)**	**—**	**(70.9)**
At 30 June 2009	**354.4**	**3,287.0**	**419.1**	**4,088.4**	**231.3**	**8,380.2**	**698.0**	**9,078.2**
At 1 January 2008	157.5	542.0	1,096.2	3,909.9	42.5	5,748.1	197.0	5,945.1
Total comprehensive income for the period	—	—	(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)
At 30 June 2008	236.3	2,469.9	627.6	4,085.7	307.9	7,727.4	699.0	8,426.4

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	Unaudited 6 months ended 30/6/2009 HK$ Million	Unaudited 6 months ended 30/6/2008 HK$ Million
Net cash used in operating activities	**(34.8)**	(3,380.3)
Net cash generated from investing activities	**185.9**	602.7
Net cash generated from financing activities	**599.3**	3,448.7
Net increase in cash and cash equivalents	**750.4**	671.1
Cash and cash equivalents at 1 January	**1,258.4**	132.4
Cash and cash equivalents at 30 June	**2,008.8**	803.5

Cash and cash equivalents represent bank deposits and cash.

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 Standards ("HKAS") 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure provisions 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 judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 2008 except the changes mentioned below.

With effect from 1 January 2009, the Group has adopted the below new and revised Hong Kong Financial Reporting Standards ("HKFRS"s), amendments and interpretations, which are relevant to the Group's financial statements.

HKAS 1 (revised)	Presentation of financial statements
HKFRS 8	Operating segments
Improvements to HKFRSs (2008)	Amendments to HKAS 40 investment property
HK(IFRIC) Int 13	Customer loyalty programmes

(a) HKAS 1 (revised) – Presentation of financial statements

As a result of the adoption of HKAS 1 (revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

(b) HKFRS 8 – Operating segments

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's top management, and has resulted in amended disclosure being presented. Corresponding amounts have been restated on a basis consistent with the revised segment information.

(c) "Improvements to HKFRSs (2008)" – Amendments to HKAS 40 Investment property

As a result of the amendment to HKAS 40, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit and loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. This amendment is applied prospectively. As a result of this amendment, the Group has reclassified its property under development amounting to HK$402.2 million from properties under development to investment properties as at 1 January 2009. The Group's investment properties under development were not carried at fair value until at the earlier of when their fair values first become reliably measurable and the dates of their respective completion. No fair value gain or loss was recognised from such properties under development during the period under review.

(d) HK(IFRIC) – Int 13 – Customer loyalty programmes

HK(IFRIC) – Int 13 clarifies that, where goods or services are sold together with a customer loyalty incentive, a portion of the consideration received from the customer should be deferred until the customer loyalty incentive is redeemed. The adoption of HK(IFRIC) – Int 13 has no significant impacts on the Group's results and financial position.

2. SEGMENT INFORMATION

The Group managed its diversified businesses according to the nature of services and products provided. Management has determined four reportable operating segments for measuring performance and allocating resources. The segments are hotel, property investment, property development and investment and others.

Hotel segment represents the operations of the Marco Polo Hongkong Hotel.

Property investment segment primarily represents the property leasing of the Group's investment properties in Hong Kong. Currently, the Group's properties portfolio also include certain development projects in China for investment purpose.

Property development segment encompasses activities relating to the development, design, construction, sale and marketing of trading properties in Hong Kong and China.

Investment and others segment includes activities for managing corporate assets and liabilities, available-for-sale investments and derivative financial instruments.

Management evaluates performance based on operating profit as well as the equity share of results of associate and jointly controlled entities of each segment.

Segment assets principally comprise all tangible, intangible assets and current assets directly attributable to each segment with the exception of income tax assets. Segment liabilities include all liabilities and borrowing directly attributable to and managed by each segment with the exception of income tax liabilities.

2. **SEGMENT INFORMATION** (CONTINUED)

	Turnover HK$ Million	Operating profit HK$ Million	Increase in fair value of investment properties HK$ Million	Finance costs HK$ Million	Share of results after tax of associate HK$ Million	Share of results after tax of jointly controlled entities HK$ Million	Profit before taxation HK$ Million
For the period ended 30 June 2009							
Hotel	**179.2**	**41.4**	**—**	**(4.7)**	**—**	**—**	**36.7**
Property investment	**62.8**	**52.0**	**76.5**	**—**	**—**	**—**	**128.5**
Property development	**—**	**(5.9)**	**—**	**(1.1)**	**17.6**	**(1.8)**	**8.8**
Investment and others	**18.2**	**89.9**	**—**	**(1.7)**	**—**	**—**	**88.2**
Segment total	**260.2**	**177.4**	**76.5**	**(7.5)**	**17.6**	**(1.8)**	**262.2**
Corporate expenses	**—**	**(5.6)**	**—**	**—**	**—**	**—**	**(5.6)**
Total	**260.2**	**171.8**	**76.5**	**(7.5)**	**17.6**	**(1.8)**	**256.6**
For the period ended 30 June 2008							
Hotel	229.5	71.1	—	(14.2)	—	—	56.9
Property investment	63.9	52.7	125.4	—	—	—	178.1
Property development	—	(1.4)	—	(8.8)	(0.2)	(1.8)	(12.2)
Investment and others	36.3	122.1	—	(9.9)	—	—	112.2
Segment total	329.7	244.5	125.4	(32.9)	(0.2)	(1.8)	335.0
Corporate expenses	—	(6.1)	—	—	—	—	(6.1)
Total	329.7	238.4	125.4	(32.9)	(0.2)	(1.8)	328.9

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

3. OPERATING PROFIT

Operating profit is arrived at:

	30/6/2009 HK$ Million	30/6/2008 HK$ Million
After charging:		
Cost of inventories sold	**14.3**	16.1
Depreciation and amortisation	**13.6**	17.7
Staff costs, including defined contribution pension schemes costs HK$2.8million (2008: HK$2.9 million)	**62.9**	63.7
Auditors' remuneration	**0.8**	0.9
and crediting:		
Rental income less direct outgoings including contingent rentals HK$20.4 million (2008: HK$21.9 million)	**54.5**	56.6
Interest income on bank deposits	**1.7**	7.6
Dividend income from listed investments	**16.5**	28.7
Net foreign exchange gain/(loss)	**68.4**	(2.5)

4. OTHER NET INCOME

	30/6/2009 HK$ Million	30/6/2008 HK$ Million
(Loss)/profit on disposal of available-for-sale investments – including HK$Nil (2008: HK$130.4 million) reclassified from the investments revaluation reserve	**(0.1)**	88.3
Net gain on disposal of a jointly controlled entity	**3.4**	—
Exchange gain/(loss) on foreign forward exchange contracts	**68.3**	(6.0)
	71.6	82.3

5. FINANCE COSTS

	30/6/2009 HK$ Million	30/6/2008 HK$ Million
Interest on bank borrowings wholly repayable within 5 years	**8.7**	28.3
Other finance costs	**3.1**	4.6
	11.8	32.9
Less: Amount capitalised	**(4.3)**	—
	7.5	32.9

6. TAXATION

(a) The provision for Hong Kong profits tax is 16.5% (2008: 16.5%) of the estimated assessable profits for the period.

(b) Taxation in the consolidated income statement represents:

	30/6/2009 HK$ Million	30/6/2008 HK$ Million
Current taxation		
Hong Kong Profits Tax	**13.8**	31.8
	13.8	31.8
Deferred taxation		
Origination and reversal of temporary differences	**(0.4)**	(0.7)
Change in fair value of investment properties	**12.6**	20.7
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**—**	(12.2)
	12.2	7.8
Total tax charge	**26.0**	39.6

(c) Share of an associate's tax for the period ended 30 June 2009 of HK$3.4 million (2008: HK$Nil) is included in the share of results after tax of an associate.

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period attributable to equity shareholders of HK$230.6 million (2008: HK$289.2 million) and the weighted average of 568.6 million ordinary shares (2008: 442.1 million shares after adjusting for the rights issue which was completed in May 2009), calculated as follows:

Weighted average number of ordinary shares

	30/6/2009 Million	30/6/2008 Million
Issued ordinary shares at 1 January	**472.5**	315.0
Effect of rights issue	**96.1**	127.1
Weighted average number of ordinary shares at 30 June	**568.6**	442.1

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

8. TRADE AND OTHER RECEIVABLES

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

	30/6/2009 HK$ Million	31/12/2008 HK$ Million
Trade receivables		
Current	**31.8**	74.8
Past due:		
0 - 30 days	**1.2**	0.3
31 - 60 days	**0.2**	1.1
Over 60 days	**1.3**	0.7
	34.5	76.9
Other receivables	**11.3**	24.6
Amounts due from fellow subsidiaries	**11.3**	3.8
	57.1	105.3

The Group has defined credit policies for each of its core business. Trade receivables are normally due within 30 days from the date of billing.

9. TRADE AND OTHER PAYABLES

Included in this item are trade creditors with an ageing analysis as at the period end date as follows:

	30/6/2009 HK$ Million	31/12/2008 HK$ Million
Trade creditors		
0 - 30 days	**8.1**	12.5
31 - 60 days	**3.4**	8.0
61 - 90 days	**0.4**	0.9
Over 90 days	**0.1**	—
	12.0	21.4
Other payables	**133.1**	121.9
Amounts due to fellow subsidiaries	**5.6**	8.6
Amounts due to an associate	**27.0**	29.0
	177.7	180.9

10. SHARE CAPITAL

	30/6/2009 No. of shares Million	30/6/2009 HK$ Million	31/12/2008 No. of shares Million	31/12/2008 HK$ Million
Authorised				
Ordinary shares of HK$0.50 each	**1,200.0**	**600.0**	1,200.0	600.0
Ordinary shares, issued and fully paid				
At 1 January	**472.5**	**236.3**	315.0	157.5
Rights issue	**236.3**	**118.1**	157.5	78.8
At 30 June / 31 December	**708.8**	**354.4**	472.5	236.3

On 18 May 2009, 236,250,000 ordinary shares were issued at HK$3.99 per share on completion of a rights issue exercise.

11. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	30/6/2009 HK$ Million	30/6/2008 HK$ Million
Interim dividend of 5.0 cents proposed after the period end date (2008: 5.0 cents) per share	**35.4**	23.6

(a) The amount of the proposed interim dividend in respect of 2009 is based on 708.8 million shares (2008: 472.5 million shares) as being enlarged by the rights issue in May 2009 by the Company. The proposed interim dividends have not been recognised as liabilities at the period end dates.

(b) The final dividend of HK$70.9 million for 2008 was approved and paid in 2009.

12. MATERIAL RELATED PARTY TRANSACTIONS

(a) During the financial period, there was in existence 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 current period amounted to HK$11.0 million (2008: HK$17.2 million) which included management fees of HK$8.5 million (2008: HK$14.1 million) and marketing fees of HK$2.5 million (2008: HK$3.1 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 transaction constitutes a connected transaction as defined under the Listing Rules.

(b) During the financial period, the Group leased out shops situated on G/F, 1/F & 2/F of The Marco Polo Hongkong Hotel to 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. The rental earned by the Group from such shops during the current period, including contingent rental income, amounted to HK$40.3 million (2008: HK$46.8 million). Such a transaction does not constitute a connected transaction under the Listing Rules.

13. CONTINGENT LIABILITIES

As at 30 June 2009, 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$3,953.1 million (31 December 2008: HK$3,968.1 million). Except for the above, the Company does not provide any other guarantee.

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$Nil (31 December 2008: HK$Nil).

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

14. COMMITMENTS

	30/6/2009 HK$ Million	31/12/2008 HK$ Million
(a) Capital expenditure		
Contracted but not provided for	**2.4**	1.6
Authorised but not contracted for	**4,873.2**	1.4
	4,875.6	3.0
(b) Properties under development		
(other than investment properties)		
Contracted but not provided for	**418.7**	345.1
Authorised but not contracted for	**8,535.2**	13,583.2
	8,953.9	13,928.3
(c) Properties under development undertaken by jointly controlled entities attributable to the Group		
Contracted but not provided for	**659.9**	746.0
Authorised but not contracted for	**1,300.3**	2,492.3
	1,960.2	3,238.3

(i) During the period, certain amounts of commitments for investment properties under development have been reclassified as commitments for capital expenditure from the category of other properties under development as a result of the change in accounting standard in respect of the definition of investment properties.

(ii) Included in properties under development and those undertaken by jointly controlled entities are land costs of HK$898.8 million payable by instalments in second half of 2009.

15. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised), Presentation of financial statements and HKFRS 8 Operating segments, certain comparative figures have been reclassified to conform to the current period's presentation. Further details of these developments are disclosed in note 1.

16. REVIEW OF RESULTS

The unaudited interim results for the six months ended 30 June 2009 have been reviewed with no disagreement by the Audit Committee of the Company.

Model Code for Director's 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 2009, Directors of the Company had the following beneficial interests, all being long positions, in the securities of the Company, the Company's parent company, namely, The (Wharf) Holdings Limited ("Wharf"), Wharf's parent company, namely, Wheelock and Company Limited ("Wheelock"), and of two fellow subsidiaries, namely, i-CABLE Communications Limited ("i-CABLE") and Wharf Finance (BVI) Limited, and the percentages which the relevant shares represented to the issued share capitals of the four relevant companies respectively are also set out below:

Names of Directors	**Quantity held** (percentage of issued share capital, if applicable)	**Nature of Interest**
The Company – Ordinary Shares		
Michael T P Sze	37,500 (0.0053%)	Family interest
Wheelock – Ordinary Shares		
Stephen T H Ng	300,000 (0.0148%)	Personal interest
T Y Ng	70,000 (0.0034%)	Personal interest
Wharf – Ordinary Shares		
Stephen T H Ng	731,314 (0.0266%)	Personal interest
T Y Ng	200,268 (0.0073%)	Personal interest
Michael T P Sze	50,099 (0.0018%)	Family interest
i-CABLE – Ordinary Shares		
Stephen T H Ng	1,265,005 (0.0629%)	Personal interest
T Y Ng	17,801 (0.0009%)	Personal interest
Wharf Finance (BVI) Limited – HK$ Fixed Rate Notes due 2011		
Brian S K Tang	HK$1,500,000	Personal interest

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 2009, 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	498,744,196 (70.37%)
(ii) Wharf Estates Limited	498,744,196 (70.37%)
(iii) The Wharf (Holdings) Limited	498,744,196 (70.37%)
(iv) WF Investment Partners Limited	498,744,196 (70.37%)
(v) Wheelock and Company Limited	498,744,196 (70.37%)
(vi) HSBC Trustee (Guernsey) Limited	498,744,196 (70.37%)
(vii) Harson Investment Limited	57,054,375 (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 2009, there were no short position interests recorded in the Register.

Changes of Information of Directors

Given below is the latest information regarding, *inter alia*, the directorships held at present and/or former directorship(s) (if any) held within the past three years in other listed public companies in respect of all those Directors of the Company for whom there have been changes in the relevant information since the date of publication of the Company's 2008 Annual Report in April 2009:

Directors	Directorships (all being present directorships) etc. in other listed public companies
T Y Ng	Wharf (re-designated as executive director in June 2009); Wheelock Properties Limited ("WPL"); *(See note below)*
Paul Y C Tsui	Wheelock; Wharf; WPL; i-CABLE (appointed in June 2009); Joyce Boutique Holdings Limited

Note: Mr T Y Ng, being a former director of publicly-listed Wheelock Properties (Singapore) Limited, ceased to be its director in May 2006 (being three years and three months before the date of this report).

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, 16 September 2009 to Friday, 18 September 2009, 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 Tuesday, 15 September 2009.

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, 17 August 2009

As at the date of this interim report, the Board of Directors of the Company comprises Mr Stephen T H Ng, Mr T Y Ng and Mr Paul Y C Tsui, together with three independent non-executive Directors, namely, Mr H M V de Lacy Staunton, Mr Michael T P Sze and Mr Brian S K Tang.