HARBOUR CENTRE DEVELOPMENT LIMITED

海港企業有限公司

2010

Interim Report to Shareholders

for the six months ended 30 June 2010

致股東中期報告書

截至二〇一〇年六月三十日止六個月

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HIGHLIGHTS

- The five property development projects in the Mainland totalling 2.4 million square metres of GFA account for 62% of the Group's business assets.

- While they will not be contributing to turnover or profit until the first phases are completed towards the end of 2011 at the earliest, pre-sales commenced for two projects in 2010 and achieved significant and profitable results.

- Changzhou Times Palace – 96% of 712 units launched between March and June have been sold for over RMB600 million. This represents an average price of over RMB18,000 per square metre of GFA for the villas and over RMB8,000 per square metre of GFA overall.

- Shanghai Xiyuan – 70% of 145 units launched since the last week of July have been sold for over RMB830 million. This represents an average price of over RMB44,000 per square metre of GFA.

- The other operating units recorded steady growth in the period, with Group turnover rising by 17% and operating profit by 35%.

- However, other net income declined, as profit from the sale of listed investments was not enough to cancel out the unfavourable foreign exchange movements compared to 2009.

- In addition, contributions from an associate did not recur.

- Group profit before the revaluation of investment properties decreased by 42% to HK$97.3 million.

- Group profit after the revaluation of investment properties increased by 6% to HK$244.0 million.

GROUP RESULTS

Turnover and operating profit from the Hotel segment rose by 14% and 38% respectively on the back of a revival of travel demand across the globe. Property investment benefitted from the economic recovery with a 20% growth in turnover and a 21% growth in operating profit. Performance of the Group's investment portfolio improved, with turnover and operating profit both increasing by 31%.

The unaudited Group profit attributable to Shareholders for the six months ended 30 June 2010 increased by 6% to HK$244.0 million (2009: HK$230.6 million). Earnings per share were HK$0.34 based on issued shares of 708.8 million (2009: HK$0.41 based on weighted average of 568.6 million issued shares).

Excluding the net investment property surplus of HK$146.7 million (2009: HK$63.9 million), the Group's net profit for the period would be HK$97.3 million (2009: HK$166.7 million) for a decrease of 42%.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.05 (2009: HK$0.05) per share, payable on 29 September 2010 to Shareholders on record as at 22 September 2010, absorbing a total amount of HK$35.4 million (2009: HK$35.4 million).

BUSINESS REVIEW

China Properties

On the back of the rapid pace of urbanisation, vibrant economic development and high savings rate, the Group is firmly positive about the fundamental outlook for real estate in the Mainland. The Government's policy to accelerate urbanisation, to relax residency restrictions on migration to provincial cities and to bolster domestic consumption lend long-term support to property demand.

As at the end of June 2010, total land bank attributable to the Group was 2.4 million square metres, comprising five prime sites in the cities of Shanghai, Chongqing, Suzhou and Changzhou, with all land payments fulfilled. This represented 62% of the Group's total business assets. Pre-sales have started for two projects, with revenues and profits to be recognised in the financial statements in phases starting from late 2011 at the earliest.

Pre-sales Results

The Group has launched two projects, Changzhou Times Palace (常州時代上院) and Shanghai Xiyuan (璽園), for pre-sales in phases since March and July 2010 respectively, with success. This achievement reflects the properties' excellent location and quality, as well as the Group's trusted and respected brand in meeting the pent-up demand across urban China.

Pre-sales of the first 56 villas in Changzhou commenced in late March 2010 and all units were sold within the first week. Two high-rise residential towers launched in late April and a third tower in mid-June also met with good demand, with close to 90% of the former sold on the first day and close to 80% of the latter within the first 2 weeks. 96% of the total of 712 units offered have so far been sold for total proceeds of over RMB600 million. The average selling price is RMB18,400 per square metre of GFA for the villas and RMB6,400 for the towers. Total GFA contracted represents less than 10% of the project total of 800,000 square metres.

For Shanghai Xiyuan, pre-sales of the first seven residential towers (145 units) commenced in late July 2010. 70% of the units were sold within the first week at an average selling price of over RMB44,000 per square metre of GFA for total proceeds of over RMB830 million. Total GFA contracted represents about 20% of the project total of 100,000 square metres.

Projects under Development

The project in Changzhou is ideally located in the future Central Business District ("CBD") of Xinbei District (新北區) and commands a total site area of 411,300 square metres and GFA of 800,000 square metres. Construction for the residential development is underway and will be completed in phases, with full completion by 2016. A 5-star hotel and State Guest House are expected to open in 2012.

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) and adjacent to a Shanghai Metro line 10 station to be in operation this year. The development boasts a site area of 59,300 square metres and GFA of 100,000 square metres of high-end medium-rise residences. Superstructure work is underway and the whole project is scheduled for completion by 2012.

The Chongqing project, a joint development with China Overseas Land & Investment with the Group owning 55%, is ideally located in Jiangbei City (江北城), the future CBD of Chongqing. The project embraces a site area of 93,100 square metres and offers an attributable GFA of 235,000 square metres. This prestigious residential development, with most of the units enjoying a breathless panoramic river view, is scheduled for completion in phases by 2014.

The two Suzhou projects are being developed by a joint venture owned 80:20 respectively by the Group and Genway Housing Development (蘇州工業園區建屋發展集團). Together, they command a total site area of 525,000 square metres and offer an attributable GFA of 1.26 million square metres.

The first project is located in Xinghu Jie (星湖街) in the new CBD of Suzhou Industrial Park. A 450-metre skyscraper landmark of office and apartment building, tallest in Jiangsu Province with a panoramic view over Jinji Lake (金雞湖) and the city skyline, will be built with underground connections to two future subway stations. A ground breaking ceremony was held in early March and construction work has commenced. The project is scheduled for completion by 2016.

The second, located on the axis of eastern expansion of Suzhou along the main east-west thoroughfare of Xiandai Da Dao (現代大道) in Suzhou Industrial Park, will be a high-end residential development that will be linked to a future subway station. Construction work for the first phase has commenced and the development is planned to be completed by 2017.

Hotel

During the first half of 2010, travel demand across the globe has seen a notable rebound, spurred by an improved world economy in the aftermath of the severe global recession and the threat of swine flu.

Revenue and operating profit of The Marco Polo Hongkong Hotel (the "Hotel") grew by 14% and 38% respectively during the period, underpinned by increasing travel propensity and strong demand for hotel rooms. Despite a slight decline in average occupancy to 74%, which stemmed from the phased renovation underway at the Hotel, average room rate witnessed a robust 16% growth from a year earlier. The Group is confident that the renovation, upon completion, will enhance the staying experience of our hotel patrons and further fortify the Hotel's competitiveness. Its convenient location, coupled with synergies with Harbour City, continues to offer an unparalleled edge to the Hotel.

Property Investment

The gradual economic upturn and revival of consumer sentiments have propelled the Property Investment Segment with a 20% increase in turnover and a 21% rise in operating profit during the period. The Group's investment properties, comprising the office and retail areas in the Hotel and the Star House retail units, were revalued by an independent valuer as at 30 June 2010. Net revaluation surplus after deferred tax during the period was HK$146.7 million (2009: HK$63.9 million).

FINANCIAL REVIEW

(I) Review of 2010 Interim Results

Turnover

Group turnover increased by 17% to HK$303.6 million (2009: HK$260.2 million) under a recovering economy.

Hotel Segment revenue continued to rebound by 14% to HK$203.4 million as compared to HK$179.2 million for the first half of 2009 when the hotel business was adversely impacted by the severe global recession and human swine flu pandemic.

Property Investment Segment revenue grew to HK$75.2 million (2009: HK$62.8 million) resulting from the increased rental income from the Hotel's retail areas and an improved tenant mix for the Star House retail units.

Investment and Others Segment's interest and dividend income derived from the Group's surplus cash and investment increased by 31% to HK$23.9 million (2009: HK$18.2 million), reflecting the improved return on the Group's investment portfolio.

Operating Profit

The Group's operating profit increased by 35% to HK$135.7 million (2009: HK$100.2 million). Hotel Segment's profit grew by 38% to HK$57.1 million (2009: HK$41.4 million) while Property Investment Segment's profit increased to HK$63.0 million (2009: HK$52.0 million). For Investment and Others Segment, profit increased to HK$23.9 million (2009: HK$18.2 million) due to increase in dividend income.

Increase in Fair Value of Investment Properties

The Group's completed investment properties were stated at the valuations carried out by an independent valuer as at 30 June 2010 resulting in a surplus of HK$175.7 million (2009: HK$76.5 million). The net surplus after deferred tax provision taken to the income statement was HK$146.7 million (2009: HK$63.9 million). The Group's investment properties under development are not carried at fair value until whichever the earlier of their fair values first become reliably measurable and the dates of their respective completion in accordance with the prevailing accounting standard.

Other Net (Loss)/Income

Other net loss for the period was HK$15.6 million (2009: gain of HK$71.6 million). It mainly included foreign exchange loss and gain on disposal of investment.

Finance Costs

Net finance costs decreased to HK$4.4 million (2009: HK$7.5 million). The charge was after capitalisation of HK$10.8 million (2009: HK$4.3 million) for the Group's China projects.

Share of Results after Tax of Associate and Jointly Controlled Entity

Share of loss of the associate and jointly controlled entity after tax was HK$0.6 million against 2009's profit of HK$15.8 million, which included a write back of excess contingent development cost for a former property project undertaken by the associate.

Income Tax

The taxation charge for the period increased to HK$46.9 million (2009: HK$26.0 million) as a result of increase in revaluation surplus of investment properties.

Profit Attributable to Equity Shareholders

Group profit attributable to equity shareholders for the period ended 30 June 2010 amounted to HK$244.0 million (2009: HK$230.6 million), representing an increase of HK$13.4 million or 6%. Earnings per share were HK$0.34 based on issued shares of 708.8 million (2009: HK$0.41 based on weighted average of 568.6 million issued shares).

Excluding the net investment property surplus of HK$146.7 million (2009: HK$63.9 million), the Group's net profit attributable to Shareholders for the period was HK$97.3 million (2009: HK$166.7 million), representing a decrease of HK$69.4 million or 42% over the corresponding period in 2009.

(II) Liquidity, Financial Resources and Commitments

Shareholders' and Total Equity

As at 30 June 2010, the Group's shareholders' equity was HK$9,084.4 million, equivalent to HK$12.82 per share (31 December 2009: HK$12.57 per share). Including the non-controlling interests, the Group's total equity was HK$9,804.2 million (31 December 2009: HK$9,607.6 million).

The Group's hotel property is stated at cost less accumulated depreciation according to the prevailing Hong Kong Financial Reporting Standards. Restating the hotel property based on the valuation as at 30 June 2010 carried out by an independent valuer would give rise to an additional revaluation surplus of HK$2,815.8 million and increase the Group's shareholders' equity to HK$11,900.2 million, equivalent to HK$16.79 per share.

Total Assets
The Group's total assets increased by 7% to HK$14,064.8 million (31 December 2009: HK$13,149.7 million). Restating the hotel property at 30 June 2010 valuation as mentioned above would increase the Group's total assets to HK$16,880.6 million.

The Group's major business assets included properties under development for sale of HK$6,643.7 million, interest in a jointly controlled entity of HK$1,666.6 million, investment properties of HK$2,697.2 million and hotel property (based on valuation) of HK$2,840.0 million. Geographically, the Group's property assets in China increased to HK$8,777.0 million representing 62% of the Group's total business assets. Other major assets included bank deposits and cash totalling HK$1,640.1 million and available-for-sale investments of HK$1,189.7 million.

Debt and Gearing
As at 30 June 2010, the Group had a net debt of HK$1,452.2 million (31 December 2009: HK$1,829.2 million), which was made up of HK$3,092.3 million of bank borrowings less HK$1,640.1 million of cash. The gearing ratio to total equity was 14.8% (31 December 2009: 19.0%).

Finance and Availability of Facilities and Funds
As at 30 June 2010, the Group's available loan facilities amounted to HK$4,571.5 million, of which HK$3,092.3 million was drawn. Certain banking facilities of the Group were secured by mortgages mainly over the Group's hotel and investment properties and properties under development for sale with total carrying value of HK$5,275.8 million (31 December 2009: HK$3,351.4 million).

The Group's debts were effectively denominated in Hong Kong dollar ("HKD") and Renminbi ("RMB"). Further RMB borrowings will be sourced to finance the development cost of the China projects.

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 generated HK$505.4 million from operating activities (2009: outflow of HK$34.8 million), primarily generated from the pre-sales of the Changzhou development project. For investing activities, the Group had a net cash outflow of HK$33.4 million, mainly for renovation works of the Hotel.

The Group maintained a reasonable level of surplus cash, which was denominated principally in HKD and RMB, to facilitate the Group's business and investment activities. As at 30 June 2010, the Group also maintained a portfolio of investments primarily consisting of blue chip securities, with an aggregate market value of HK$1,189.7 million (31 December 2009: HK$1,193.0 million), which is available for liquidation to meet the Group's commitments if necessary. The performance of the portfolio was largely in line with the stock market.

Commitments

As at 30 June 2010, the Group's total outstanding commitments related substantially to development projects in the Mainland, both by the Group and through a jointly controlled entity, amounted to HK$14.9 billion, of which HK$0.9 billion have been contracted for. 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 570 employees as at 30 June 2010. 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.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	Note	**Unaudited 6 months ended 30/6/2010 HK$ Million**	Unaudited 6 months ended 30/6/2009 HK$ Million
Turnover	2	**303.6**	260.2
Direct costs and operating expenses		**(131.7)**	(127.7)
Selling and marketing expenses		**(11.8)**	(11.2)
Administrative and corporate expenses		**(10.8)**	(7.5)
Operating profit before depreciation, amortisation, interest and tax		**149.3**	113.8
Depreciation and amortisation		**(13.6)**	(13.6)
Operating profit	3	**135.7**	100.2
Increase in fair value of investment properties		**175.7**	76.5
Other net (loss)/income	4	**(15.6)**	71.6
		295.8	248.3
Finance costs	5	**(4.4)**	(7.5)
Share of results after tax of:			
Associate		**—**	17.6
Jointly controlled entities		**(0.6)**	(1.8)
Profit before taxation		**290.8**	256.6
Income tax	6(b)	**(46.9)**	(26.0)
Profit for the period		**243.9**	230.6
Profit attributable to:			
Equity shareholders		**244.0**	230.6
Non-controlling interests		**(0.1)**	—
		243.9	230.6
Earnings per share	7		
Basic		**HK$0.34**	HK$0.41
Diluted		**HK$0.34**	HK$0.41

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Unaudited 6 months ended 30/6/2010 HK$ Million	Unaudited 6 months ended 30/6/2009 HK$ Million
Profit for the period	**243.9**	230.6
Other comprehensive income		
Exchange difference on translation of:	**86.3**	(37.6)
– financial statements of overseas subsidiaries	**70.1**	4.8
– financial statements of jointly controlled entities	**16.2**	(42.4)
Available-for-sale investments:		
Net movement in the investments revaluation reserves	**(38.6)**	258.1
(Deficit)/surplus on revaluation	**(1.4)**	258.1
Less: reclassification adjustments for gains included in profit or loss on disposal	**(37.2)**	—
Other comprehensive income for the period	**47.7**	220.5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**291.6**	451.1
Total comprehensive income attributable to:		
Equity shareholders of the company	**284.9**	448.9
Non-controlling interests	**6.7**	2.2
	291.6	451.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	**Unaudited 30/6/2010 HK$ Million**	Audited 31/12/2009 HK$ Million
Non-current assets			
Fixed assets			
Investment properties		**2,697.2**	2,515.5
Leasehold land		**15.2**	15.2
Other properties, plant and equipment		**75.9**	59.2
Interest in an associate		**0.2**	0.2
Interest in a jointly controlled entity		**1,666.6**	1,650.9
Available-for-sale investments		**1,189.7**	1,193.0
Employee retirement benefit assets		**10.6**	11.0
		5,655.4	5,445.0
Current assets			
Properties under development for sale		**6,643.7**	6,472.7
Inventories		**2.8**	2.9
Trade and other receivables	9	**112.7**	95.8
Derivative financial assets		**10.1**	9.3
Bank deposits and cash		**1,640.1**	1,124.0
		8,409.4	7,704.7
Current liabilities			
Trade and other payables	10	**132.8**	210.9
Pre-sale deposits and proceeds		**563.0**	—
Derivative financial liabilities		**53.0**	—
Taxation payable		**88.7**	79.6
		837.5	290.5
Net current assets		**7,571.9**	7,414.2
Total assets less current liabilities		**13,227.3**	12,859.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2010

	Note	**Unaudited 30/6/2010 HK$ Million**	Audited 31/12/2009 HK$ Million
Non-current liabilities			
Derivative financial liabilities		**10.3**	8.2
Bank loans		**3,092.3**	2,953.2
Deferred taxation		**320.5**	290.2
		3,423.1	3,251.6
NET ASSETS		**9,804.2**	9,607.6
Capital and reserves			
Share capital	11	**354.4**	354.4
Reserves		**8,730.0**	8,551.4
Shareholders' equity		**9,084.4**	8,905.8
Non-controlling interests		**719.8**	701.8
TOTAL EQUITY		**9,804.2**	9,607.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	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	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2010	**354.4**	**3,287.0**	**702.4**	**4,332.1**	**229.9**	**8,905.8**	**701.8**	**9,607.6**
Profit for the period	**—**	**—**	**—**	**244.0**	**—**	**244.0**	**(0.1)**	**243.9**
Other comprehensive income	**—**	**—**	**(38.6)**	**—**	**79.5**	**40.9**	**6.8**	**47.7**
Total comprehensive income for the period	**—**	**—**	**(38.6)**	**244.0**	**79.5**	**284.9**	**6.7**	**291.6**
Shares issued by a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**11.3**	**11.3**
Final dividends paid in respect of 2009	**—**	**—**	**—**	**(106.3)**	**—**	**(106.3)**	**—**	**(106.3)**
At 30 June 2010	**354.4**	**3,287.0**	**663.8**	**4,469.8**	**309.4**	**9,084.4**	**719.8**	**9,804.2**
At 1 January 2009	236.3	2,469.9	161.0	3,928.7	271.1	7,067.0	695.8	7,762.8
Profit for the period	—	—	—	230.6	—	230.6	—	230.6
Other comprehensive income	—	—	258.1	—	(39.8)	218.3	2.2	220.5
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
Final dividends paid in respect of 2008	—	—	—	(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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010

	Unaudited 6 months ended 30/6/2010 HK$ Million	Unaudited 6 months ended 30/6/2009 HK$ Million
Net cash generated from/(used in) operating activities	**505.4**	(34.8)
Net cash (used in)/generated from investing activities	**(33.4)**	185.9
Net cash generated from financing activities	**44.1**	599.3
Net increase in cash and cash equivalents	**516.1**	750.4
Cash and cash equivalents at 1 January	**1,124.0**	1,258.4
Cash and cash equivalents at 30 June	**1,640.1**	2,008.8

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 2009, except for the accounting policy changes that are expected to be reflected in the 2010 annual audited financial statements mentioned below.

The HKICPA has issued a number of amendments and interpretations to Hong Kong Financial Reporting Standards ("HKFRS"s) that are first effective for the current accounting period:

HKFRS 3 (Revised)	Business combinations
Amendments to HKAS 27	Consolidated and separate financial statements
Amendments to HKAS 39	Financial instruments: recognition and measurement - Eligible hedged items financial statements
HK(IFRIC 17)	Distributions of non-cash assets to owners
Improvements to HKFRSs 2009	

The adoption of these amendments and interpretations to standards has no material financial effect on the Group's results and financial position for the current and prior periods.

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. No operating segment has been aggregated to form reportable segments.

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

Property investment segment currently primarily represents the leasing of the Group's investment properties in Hong Kong. Some of the Group's development projects in China include properties which are intended to be held for investment purposes on completion.

2. **Segment Information** (continued)

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

Investment and others segment includes activities for managing the Group's 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 entity of each segment.

	Turnover HK$ Million	Operating profit/ (loss) HK$ Million	Increase in fair value of investment properties HK$ Million	Other net (loss)/ income HK$ Million	Finance (costs)/ credits HK$ Million	Share of results after tax of associate HK$ Million	Share of results after tax of jointly controlled entities HK$ Million	Profit/ (loss) before taxation HK$ Million
For the period ended 30 June 2010								
Hotel	**203.4**	**57.1**	**—**	**—**	**(4.9)**	**—**	**—**	**52.2**
Property investment	**75.2**	**63.0**	**175.7**	**—**	**—**	**—**	**—**	**238.7**
Property development	**1.1**	**(4.9)**	**—**	**(0.5)**	**1.3**	**—**	**(0.6)**	**(4.7)**
Investment and others	**23.9**	**23.9**	**—**	**(15.1)**	**(0.8)**	**—**	**—**	**8.0**
Segment total	**303.6**	**139.1**	**175.7**	**(15.6)**	**(4.4)**	**—**	**(0.6)**	**294.2**
Corporate expenses	**—**	**(3.4)**	**—**	**—**	**—**	**—**	**—**	**(3.4)**
Total	**303.6**	**135.7**	**175.7**	**(15.6)**	**(4.4)**	**—**	**(0.6)**	**290.8**
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)	—	3.4	(1.1)	17.6	(1.8)	12.2
Investment and others	18.2	18.2	—	68.2	(1.7)	—	—	84.7
Segment total	260.2	105.7	76.5	71.6	(7.5)	17.6	(1.8)	262.1
Corporate expenses	—	(5.5)	—	—	—	—	—	(5.5)
Total	260.2	100.2	76.5	71.6	(7.5)	17.6	(1.8)	256.6

(i) Substantially all depreciation and amortisation were attributable to the Hotel Segment.
(ii) All interest income were attributable to the Investment and others Segment.
(iii) No inter-segment revenue has been recorded during the current and prior periods.

3. Operating Profit

Operating profit is arrived at:

	30/6/2010 HK$ Million	30/6/2009 HK$ Million
After charging/(crediting):		
Depreciation and amortisation	**13.6**	13.6
Staff costs, including defined contribution pension schemes costs HK$2.8 million (2009: HK$2.8 million)	**64.2**	62.9
Auditors' remuneration		
– Audit services	**0.5**	0.5
– Other services	**—**	0.3
Rental income less direct outgoings *(Note i)*	**(65.5)**	(54.5)
Interest income on bank deposits	**(1.9)**	(1.7)
Dividend income from listed investments	**(22.0)**	(16.5)

Note:

(i) Rental income included contingent rentals of HK$27.3 million (2009: HK$20.4 million).

4. Other Net (Loss)/Income

	30/6/2010 HK$ Million	30/6/2009 HK$ Million
Profit/(loss) on disposal of available-for-sale investments – including HK$37.2 million (2009: HK$Nil) reclassified from the investments revaluation reserve	**35.4**	(0.1)
Exchange (loss)/gain	**(51.0)**	68.3
Net gain on disposal of a jointly controlled entity	**—**	3.4
	(15.6)	71.6

5. Finance Costs

	30/6/2010 HK$ Million	30/6/2009 HK$ Million
Interest on bank borrowings wholly repayable within 5 years	**12.2**	8.7
Other finance costs	**2.7**	3.1
	14.9	11.8
Less: Amount capitalised	**(10.8)**	(4.3)
	4.1	7.5
Fair value changes on cross currency interest rate swaps	**0.3**	—
	4.4	7.5

6. Income Tax

(a) The provision for Hong Kong Profits Tax is at the rate of 16.5% (2009: 16.5%) of the estimated assessable profits for the period.

(b) Taxation charged to the consolidated income statement represents:

	30/6/2010 HK$ Million	30/6/2009 HK$ Million
Current tax		
Hong Kong Profits Tax provision for the period	**16.6**	13.8
	16.6	13.8
Deferred tax		
Change in fair value of investment properties	**29.0**	12.6
Origination and reversal of temporary differences	**1.3**	(0.4)
	30.3	12.2
Total tax charge	**46.9**	26.0

(c) No tax attributable to associate for the period ended 30 June 2010 (2009: HK$3.4 million) is included in the share of results of associate. There is no share of tax in respect of the jointly controlled entities for the current and prior periods.

7. Earnings Per Share

The calculation of earnings per share is based on the profit for the period attributable to equity shareholders of HK$244.0 million (2009: HK$230.6 million) and the weighted average of 708.8 million ordinary shares (2009: 568.6 million shares after adjusting for the rights issue which was completed in May 2009), calculated as follows:

Weighted average number of ordinary shares

	30/6/2010 Million	30/6/2009 Million
Issued ordinary shares at 1 January	**708.8**	472.5
Effect of rights issue *(Note 11)*	**—**	96.1
Weighted average number of ordinary shares at 30 June	**708.8**	568.6

There were no potential dilutive ordinary shares in existence during the periods ended 30 June 2010 and 2009.

8. Dividends Attributable to Equity Shareholders

	30/6/2010 HK$ Million	30/6/2009 HK$ Million
Interim dividend of 5.0 cents (2009: 5.0 cents) per share proposed after the end of reporting date	**35.4**	35.4

(a) The amount of the proposed interim dividend in respect of 2010 is based on 708.8 million shares (2009: 708.8 million shares). The interim dividends proposed after the end of the reporting period has not been recognised as liabilities at the end of reporting date.

(b) The final dividend of HK$106.3 million for 2009 was approved and paid in 2010.

9. Trade and Other Receivables

Included in this item are trade receivables (net of allowance for doubtful debts) with an ageing analysis based on invoice date as at the end of reporting date as follows:

	30/6/2010 HK$ Million	31/12/2009 HK$ Million
Trade receivables		
0 - 30 days	**41.3**	66.3
31 - 60 days	**2.2**	0.1
61 - 90 days	**0.6**	0.5
	44.1	66.9
Other receivables	**61.3**	23.3
Amounts due from fellow subsidiaries	**7.3**	5.6
	112.7	95.8

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

10. Trade and Other Payables

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

	30/6/2010 HK$ Million	31/12/2009 HK$ Million
Trade creditors		
0 - 30 days	**12.1**	12.4
31 - 60 days	**5.2**	6.0
61 - 90 days	**0.8**	0.4
Over 90 days	**0.1**	0.2
	18.2	19.0
Other payables and provisions	**86.8**	103.2
Construction costs payable	**12.4**	74.8
Amounts due to fellow subsidiaries	**9.8**	7.0
Amounts due to an associate	**5.6**	6.9
	132.8	210.9

11. Share Capital

	30/6/2010		31/12/2009	
	No. of shares Million	**HK$ Million**	No. of shares Million	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	**708.8**	**354.4**	472.5	236.3
Rights issue	**—**	**—**	236.3	118.1
At 30 June / 31 December	**708.8**	**354.4**	708.8	354.4

On 18 May 2009, 236.3 million new ordinary shares were issued at HK$3.99 each on completion of the rights issue exercise.

12. Material Related Party Transactions

Except as disclosed in Notes 9 and 10, the material related party transactions are set out below:

(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$13.1 million (2009: HK$11.0 million) which included management fees of HK$10.3 million (2009: HK$8.5 million) and marketing fees of HK$2.8 million (2009: HK$2.5 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$50.7 million (2009: HK$40.3 million). Such a transaction does not constitute a connected transaction under the Listing Rules.

13. Contingent Liabilities

As at 30 June 2010, 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$3,703.1 million (31 December 2009: HK$3,953.1 million). Except for the above, the Company does not provide any other guarantee. The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was HK$Nil (31 December 2009: HK$Nil).

As at the end of reporting 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

	30/6/2010 HK$ Million	31/12/2009 HK$ Million
(a) Capital commitments		
(include investment properties)		
Contracted but not provided for	**115.7**	87.0
Authorised but not contracted for	**4,907.5**	4,119.2
	5,023.2	4,206.2
(b) Properties under development		
(other than investment properties)		
Contracted but not provided for	**800.5**	439.5
Authorised but not contracted for	**8,084.2**	8,307.7
	8,884.7	8,747.2
(c) Properties under development undertaken by jointly controlled entities attributable to the Group		
Contracted but not provided for	**9.6**	0.5
Authorised but not contracted for	**1,047.6**	1,046.6
	1,057.2	1,047.1

15. Comparative Figures

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

16. Review of Results

The unaudited interim results for the six months ended 30 June 2010 have been reviewed with no disagreement by the Audit Committee of the Company.

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, a substantial proportion thereof being Independent Non-executive Directors.

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 2010, Directors of the Company had the following beneficial interests, all being long positions, in the securities of the Company, The Wharf (Holdings) Limited ("Wharf") (which is the Company's parent company) and Wheelock and Company Limited ("Wheelock") (which is Wharf's parent company), and of two fellow subsidiaries, namely, i-CABLE Communications Limited ("i-CABLE") and Wharf Finance (BVI) Limited, and the percentages (if applicable) which the relevant securities represented to the issued share capitals of the five relevant companies respectively are also set out below:

	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 as at 30 June 2010 by any 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 rights to subscribe for any shares, underlying shares or debentures of the Company held by any of them at any time during the financial period.

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 2010, 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	**No. 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 2010, 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 Monday, 20 September 2010 to Wednesday, 22 September 2010, 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 Friday, 17 September 2010.

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, 16 August 2010

As at the date of this interim report, the Board of Directors of the Company comprises Mr Stephen T H Ng, Ms Doreen Y F Lee, 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.