HARBOUR CENTRE DEVELOPMENT LIMITED

海港企業有限公司

2011

Interim Report to Shareholders

for the six months ended 30 June 2011

致股東中期報告書

截至二〇一一年六月三十日止六個月

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HIGHLIGHTS

- Group turnover increased by 22% and operating profit by 21% respectively.
- Marco Polo Hongkong Hotel reported an 18% improvement in revenue and 23% improvement in operating profit. Solid performance is expected to continue in the second half.
- The Mainland Property Development business continues to perform in line with plan and is expected to start to contribute to earnings in the second half of 2011. Net presales order book up to 30 June 2011 totaled RMB5.9 billion, including RMB2.7 billion transacted in the first half of 2011.
- Combined value of Hong Kong assets, listed stocks and net cash amounted to HK$10.1 billion (or HK$14.2 per share) as at 30 June 2011.
- Mainland business assets were carried at a total cost of HK$10.6 billion (or HK$15.0 per share) as at 30 June 2011.
- Mainland business assets accounted for 61% of the Group's business assets as at 30 June 2011.

GROUP RESULTS

Unaudited Group profit attributable to Shareholders increased by 39% to HK$378.4 million (2010 restated: HK$273.0 million). Earnings per share were HK$0.53 (2010 restated: HK$0.39).

Excluding the investment property surplus of HK$255.0 million (2010: HK$175.7 million), the Group's net profit for the period increased by 27% to HK$123.4 million (2010: HK$97.3 million).

INTERIM DIVIDEND

The Board has declared an interim dividend of 6 cents (2010: 5 cents) per share, payable on 29 September 2011 to Shareholders on record as at 22 September 2011, absorbing a total amount of HK$42.5 million (2010: HK$35.4 million).

BUSINESS REVIEW

China Properties

Capital realisation of the Group's China Properties business continued with the successful launch of two new projects for presales during the first half of 2011, together with further presales from projects previously launched. Demand for the Group's developments remained strong, reflecting China's continuing economic and wealth expansion, as well as the reputable and trusted brand of the Wharf group in developing quality and well-located residences to meet or exceed consumers' expectation.

The first profit recognition from China Properties will start in the second half of 2011 upon the completion of the first phase of the Changzhou project.

As at 30 June 2011, China Properties accounted for 61% of the Group's business assets, and offered an attributable land bank of 2.4 million square metres.

Presales

The U World in Chongqing *(formerly identified as Chongqing Jiangbei City Zone B Project)* was launched in April 2011, with nearly 90% of the 190 units offered sold by 30 June 2011 at an average price of RMB22,100 per square metre of GFA. Another phase of high-rise residential units launched in late June was also met with strong demand. Total attributable GFA contracted represents 14% of 235,000 square metres to generate attributable proceeds of RMB715 million.

Suzhou Times City *(formerly identified as Suzhou Industrial Park Xiandai Da Dao Project)* was launched in mid-May, with 83% of the 328 residential units offered sold by 30 June 2011 at an average price of RMB13,900 per square metre of GFA, to generate proceeds of RMB410 million. Total GFA contracted represents just 3% of the total of 907,000 square metres.

Additional phases of Shanghai Xiyuan were launched during the period to generate proceeds of RMB890 million at an average selling price of over RMB52,000 per square metre of GFA. Cumulative GFA contracted represents close to 70% of the project total of 100,000 square metres for total proceeds of RMB3.2 billion.

Changzhou Times Palace also released additional phases with 86% of the units offered sold at an average selling price of RMB23,200 per square metre of GFA for the villas and RMB7,800 per square metre of GFA for the towers. Cumulative GFA contracted represents 24% of the project total for total proceeds of close to RMB1.6 billion.

Development Progress

Changzhou Times Palace comprises residential towers, semi-detached houses and villas, a State Guest House, a five-star hotel and serviced apartments with a total GFA of 800,000 square metres. Construction is underway with the first phase of residences scheduled for completion in the second half of 2011. The State Guest House, five-star hotel and serviced apartments will be completed in 2012.

Shanghai Xiyuan comprises 11 medium-rise towers and a luxurious club house with a total GFA of 100,000 square metres. It offers 510 fitted-out units targeting at local residents who look for an uplift in living standards. The adjacent Shanghai metro line 10 station is already in operation to provide easy access to the city centre. Superstructure work is underway with full completion by mid 2012.

Chongqing U World, a joint development with China Overseas Land & Investment with the Group owning 55%, is located in the new Jiangbei CBD near the Grand Theatre, Science Museum and Chongqing Central Park that provides a cosmopolitan living environment for its residents. The development offers an attributable GFA of 235,000 square metres with most of the residences enjoying a panoramic river view from different angles. The project is scheduled for completion in phases by 2015.

In Suzhou, the Group has two projects being developed through a joint venture owned 80:20 respectively by the Group and Genway Housing Development.

Suzhou Times City offers GFA of 907,000 square metres and is located along the main east-west thoroughfare of Xiandai Da Dao near a future metro station. Construction work for the initial phases is underway with completion in phases by 2017.

The other project is Suzhou IFC (International Finance Centre), a 450-metre skyscraper landmark development in the new CBD of Suzhou Industrial Park overlooking Jinji Lake. It comprises Grade A office, luxurious sky apartments, a five-star sky hotel with full scenery of Suzhou and a total GFA of 351,000 square metres. Schematic design has been approved and piling work is underway, with scheduled completion by 2016. The preliminary budget for construction is about RMB5 billion.

Hotel

The Marco Polo Hongkong Hotel ("MPHK Hotel") has benefitted from the continued global economic recovery and thriving inbound tourism.

Revenue and operating profit grew by 18% and 26% respectively during the period, with average occupancy rising to 77% (2010: 74%) and average room rate rising by 17% from a year earlier. The phased renovation of MPHK Hotel is expected to be completed by the end of 2011.

Property Investment

Strong domestic demand has propelled the Property Investment Segment with a 16% increase in turnover and a 19% growth in operating profit during the period. The Group's investment properties, comprising the office and retail areas of MPHK Hotel and the Star House retail units, were revalued by an independent valuer as at 30 June 2011. Revaluation surplus during the period was HK$255.0 million (2010: HK$175.7 million).

FINANCIAL REVIEW

(I) Review of 2011 Interim Results

Turnover
Group turnover increased by 22% year-on-year to HK$370.7 million (2010: HK$303.6 million) with higher revenue for all segments.

Hotel revenue increased by 18% to HK$239.6 million (2010: HK$203.4 million). MPHK Hotel improved average room rate by 17% and occupancy to 77%.

Property Investment revenue increased by 16% to HK$86.9 million (2010: HK$75.2 million) resulting from higher rental and an improved tenant mix.

Investment and other income increased by 85% to HK$44.2 million (2010: HK$23.9 million) mainly due to a substantially larger net cash position.

Operating Profit
Group operating profit increased by 21% to HK$164.7 million (2010: HK$135.7 million).

Hotel profit increased by 26% to HK$71.7 million (2010: HK$57.1 million). Property Investment profit increased by 19% to HK$75.2 million (2010: HK$63.0 million). Profit from investment and others increased by 85% to HK$44.2 million (2010: HK$23.9 million).

Property Development reported an operating loss of HK$10.3 million (2010: HK$4.9 million), representing initial expenses. Although attributable presales in the period of RMB2,710.0 million exceeded budget to bring cumulative presales up to RMB5,895.0 million, the corresponding turnover and profit will not be recognised until property completion, expected to start in the second half of 2011.

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 2011 resulting in a surplus of HK$255.0 million (2010: HK$175.7 million). In accordance with the prevailing accounting standard, the Group's investment property under development is carried at cost and will not be carried at fair value until the earlier of its fair value first becoming reliably measurable and the date of completion.

Other Net Loss
Other net loss of HK$13.1 million for the period mainly arose from foreign exchange loss (2010: loss of HK$15.6 million).

Finance Costs
Net finance cost for the period was HK$4.6 million (2010: HK$4.4 million), net of capitalisation of HK$6.4 million (2010: HK$10.8 million) for the Group's Mainland China projects.

Share of Results after Tax of Jointly Controlled Entities
Share of losses of jointly controlled entities after tax was HK$4.5 million (2010: loss of HK$0.6 million).

Income Tax
The taxation charge for the period increased to HK$21.7 million (2010 restated: HK$17.9 million) as a result of an increase in taxable profit.

Profit Attributable to Equity Shareholders
Group profit attributable to equity shareholders for the period ended 30 June 2011 amounted to HK$378.4 million (2010 restated: HK$273.0 million), representing an increase of 39%. Earnings per share were HK$0.53 (2010 restated: HK$0.39) based on 708.8 million issued shares.

Excluding the investment property surplus of HK$255.0 million (2010: HK$175.7 million), Group profit attributable to Shareholders for the period was HK$123.4 million (2010 restated: HK$97.3 million), representing an increase of 27%.

(II) Liquidity, Financial Resources and Commitments

Shareholders' and Total Equity
As at 30 June 2011, the Group's shareholders' equity increased by 4% to HK$11,109.9 million (31 December 2010: HK$10,673.9 million), equivalent to HK$15.7 per share (31 December 2010: HK$15.1 per share). Including the non-controlling interests, the Group's total equity stood at HK$11,902.9 million (31 December 2010: HK$11,439.7 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 at the valuation as at 30 June 2011 carried out by an independent valuer would give rise to an additional revaluation surplus of HK$3,345.2 million and increase the Group's shareholders' equity as at 30 June 2011 to HK$14,455.1 million, equivalent to HK$20.4 per share.

Total Assets
The Group's total assets increased by 11% to HK$20,323.9 million (31 December 2010: HK$18,266.6 million). Restating the hotel property at valuation as mentioned above would increase the Group's total assets to HK$23,669.1 million, including HK$17,312.6 million of business assets, HK$4,680.4 million of bank deposits and cash, as well as HK$1,659.3 million of available-for-sale investments.

The Group's major business assets included properties under development for sale of HK$7,780.4 million plus interest held through jointly controlled entities of HK$1,728.6 million, investment properties of HK$3,643.6 million and hotel property (based on valuation) of HK$3,370.0 million. Geographically, HK$10,602.6 million or 61% of the Group's total business assets were located in Mainland China.

Debt/Cash

As at 30 June 2011, the Group had net cash of HK$1,694.3 million (31 December 2010: HK$171.8 million), which was made up of HK$4,680.4 million of cash less HK$2,986.1 million of bank borrowings.

Finance and Availability of Facilities and Funds

As at 30 June 2011, the Group's available loan facilities amounted to HK$4,601.3 million, of which HK$2,986.1 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$6,007.8 million (31 December 2010: HK$2,503.2 million).

The Group's debts were primarily denominated in HKD and USD. Further RMB borrowings will be sourced to finance the development cost of the Mainland 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$1,491.2 million of net cash inflow from operating activities (2010: HK$505.4 million), primarily from the presales of the Group's development projects. For investing activities, the Group had net cash inflow of HK$69.8 million, mainly for decrease in advance to the jointly controlled entities.

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 2011, the Group also maintained a portfolio of investments primarily consisting of blue chip securities, with an aggregate market value of HK$1,659.3 million (31 December 2010: HK$1,744.3 million), which is available for liquidation to meet the Group's commitment if necessary. The performance of the portfolio was largely in line with the general stock market.

Commitments

As at 30 June 2011, the Group's total contracted commitments amounted to HK$1.9 billion which was substantially related to China development projects. Apart from that, the Group intends to invest HK$17.6 billion mainly on construction cost to complete the Group's China development projects, which will be carried out by stages over the forthcoming years and funded by internal financial resources, proceeds from property presales and bank loans.

(III) Human Resources

The Group had approximately 630 employees as at 30 June 2011. 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 2011

	Note	**Unaudited 6 months ended 30/6/2011 HK$ Million**	Unaudited 6 months ended 30/6/2010 HK$ Million (Restated)
Turnover	2	**370.7**	303.6
Direct costs and operating expenses		**(146.0)**	(131.7)
Selling and marketing expenses		**(25.0)**	(11.8)
Administrative and corporate expenses		**(17.4)**	(10.8)
Operating profit before depreciation, interest and tax		**182.3**	149.3
Depreciation		**(17.6)**	(13.6)
Operating profit	3	**164.7**	135.7
Increase in fair value of investment properties		**255.0**	175.7
Other net loss	4	**(13.1)**	(15.6)
		406.6	295.8
Finance costs	5	**(4.6)**	(4.4)
Share of results after tax of jointly controlled entities		**(4.5)**	(0.6)
Profit before taxation		**397.5**	290.8
Income tax	6(b)	**(21.7)**	(17.9)
Profit for the period		**375.8**	272.9
Profit attributable to:			
Equity shareholders		**378.4**	273.0
Non-controlling interests		**(2.6)**	(0.1)
		375.8	272.9
Earnings per share	7		
Basic		**HK$0.53**	HK$0.39
Diluted		**HK$0.53**	HK$0.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Unaudited 6 months ended 30/6/2011 HK$ Million	Unaudited 6 months ended 30/6/2010 HK$ Million (Restated)
Profit for the period	**375.8**	272.9
Other comprehensive income		
Exchange difference on translation of:	**215.4**	86.3
– financial statements of overseas subsidiaries	**176.1**	70.1
– financial statements of jointly controlled entities	**39.3**	16.2
Net revaluation reserves of available-for-sale investments:	**(33.7)**	(38.6)
– deficit on revaluation	**(35.5)**	(1.4)
– transferred to consolidated income statement on disposal	**1.8**	(37.2)
Other comprehensive income for the period	**181.7**	47.7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**557.5**	320.6
Total comprehensive income attributable to:		
Equity shareholders of the Company	**542.3**	313.9
Non-controlling interests	**15.2**	6.7
	557.5	320.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	**Unaudited 30/6/2011 HK$ Million**	Audited 31/12/2010 HK$ Million
Non-current assets			
Fixed assets			
Investment properties		**3,643.6**	3,351.6
Leasehold land		**15.1**	15.2
Other properties, plant and equipment		**98.9**	100.9
Interest in an associate		**0.1**	0.1
Interest in jointly controlled entities		**1,728.6**	1,756.3
Available-for-sale investments		**1,659.3**	1,744.3
Employee retirement benefit assets		**16.1**	16.1
Deferred tax assets		**11.9**	11.7
		7,173.6	6,996.2
Current assets			
Properties under development for sale		**7,780.4**	7,335.3
Inventories		**2.4**	2.7
Trade and other receivables	9	**488.8**	301.6
Prepaid tax		**193.4**	102.3
Derivative financial assets		**4.9**	6.7
Bank deposits and cash		**4,680.4**	3,521.8
		13,150.3	11,270.4
Current liabilities			
Trade and other payables	10	**223.4**	465.6
Presale deposits and proceeds		**5,073.6**	2,855.8
Derivative financial liabilities		**18.5**	46.5
Bank loans		**500.0**	900.0
Taxation payable		**92.3**	79.2
		5,907.8	4,347.1
Net current assets		**7,242.5**	6,923.3
Total assets less current liabilities		**14,416.1**	13,919.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 June 2011

	Note	**Unaudited 30/6/2011 HK$ Million**	Audited 31/12/2010 HK$ Million
Non-current liabilities			
Derivative financial liabilities		**3.6**	6.2
Bank loans		**2,486.1**	2,450.0
Deferred tax liabilities		**23.5**	23.6
		2,513.2	2,479.8
NET ASSETS		**11,902.9**	11,439.7
Capital and reserves			
Share capital	11	**354.4**	354.4
Reserves		**10,755.5**	10,319.5
Shareholders' equity		**11,109.9**	10,673.9
Non-controlling interests		**793.0**	765.8
TOTAL EQUITY		**11,902.9**	11,439.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	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 2011	**354.4**	**3,287.0**	**1,038.8**	**5,477.1**	**516.6**	**10,673.9**	**765.8**	**11,439.7**
Changes in equity for the period								
Profit	**–**	**–**	**–**	**378.4**	**–**	**378.4**	**(2.6)**	**375.8**
Other comprehensive income	**–**	**–**	**(33.7)**	**–**	**197.6**	**163.9**	**17.8**	**181.7**
Total comprehensive income	**–**	**–**	**(33.7)**	**378.4**	**197.6**	**542.3**	**15.2**	**557.5**
Shares issued by a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**12.0**	**12.0**
Final dividends paid for 2010	**–**	**–**	**–**	**(106.3)**	**–**	**(106.3)**	**–**	**(106.3)**
At 30 June 2011	**354.4**	**3,287.0**	**1,005.1**	**5,749.2**	**714.2**	**11,109.9**	**793.0**	**11,902.9**
At 1 January 2010 as restated	354.4	3,287.0	702.4	4,601.3	229.9	9,175.0	701.8	9,876.8
Changes in equity for the period								
Profit	–	–	–	273.0	–	273.0	(0.1)	272.9
Other comprehensive income	–	–	(38.6)	–	79.5	40.9	6.8	47.7
Total comprehensive income	–	–	(38.6)	273.0	79.5	313.9	6.7	320.6
Shares issued by a subsidiary	–	–	–	–	–	–	11.3	11.3
Final dividends paid for 2009 *(Note 8)*	–	–	–	(106.3)	–	(106.3)	–	(106.3)
At 30 June 2010 as restated	354.4	3,287.0	663.8	4,768.0	309.4	9,382.6	719.8	10,102.4

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011

	Unaudited 6 months ended 30/6/2011 HK$ Million	Unaudited 6 months ended 30/6/2010 HK$ Million
Net cash generated from operating activities	**1,491.2**	505.4
Net cash generated from/(used in) investing activities	**69.8**	(33.4)
Net cash (used in)/generated from financing activities	**(458.2)**	44.1
Net increase in cash and cash equivalents	**1,102.8**	516.1
Cash and cash equivalents at 1 January	**3,521.8**	1,124.0
Effect on exchange rate change	**55.8**	–
Cash and cash equivalents at 30 June	**4,680.4**	1,640.1

Cash and cash equivalents represent bank deposits and cash.

NOTES TO THE 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" issued by the Hong Kong Institute of Certified Public Accountants 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.

During the year ended 31 December 2010, the Group had early adopted the amendments to HKAS 12 "Income Taxes", in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 "Investment Property". The Group had applied HKAS 12 retrospectively and the comparative amounts had been restated, where appropriate. As a result, the Group's income tax expense and profit for the six months ended 30 June 2010 were decreased and increased by HK$29.0 million respectively.

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 2010 except for the changes mentioned below.

With effect from 1 January 2011, the Group has adopted the below revised and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), which are relevant to the Group's financial statements:

HKAS 24 (Revised)	Related party disclosures
Improvements to HKFRSs 2010	

The Improvements to HKFRSs 2010 consists of amendments to existing standards, including an amendment to HKAS 34 "Interim Financial Reporting". HKAS34 (amendment) provides for further disclosures in interim financial report. It has had no financial impact on the Group's interim financial statements.

The other developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. The developments have had no material impact on the contents of this interim financial report.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2. Segment Information

The Group managed its diversified businesses according to the nature of services and products provided. Management has determined three reportable operating segments for measuring performance and allocating resources. The segments are hotel, property investment and property development. No operating segment has been aggregated to form reportable segments.

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. Some of the Group's development projects in Mainland China include properties which are intended to be held for investment purposes on completion.

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

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 business assets principally comprise all tangible, intangible assets and current assets directly attributable to each segment with the exception of bank deposits and cash, available for sale investments, derivative financial instruments and deferred tax assets.

Revenue and expenses are allocated with reference to sales generated by those segments and expenses incurred by those segments or which arise from the depreciation of assets attributable to those segments.

2. **Segment Information** (continued)

	Turnover HK$ Million	Operating profit/ (loss) HK$ Million	Increase in fair value of investment properties HK$ Million	Other net loss HK$ Million	Finance costs 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 2011							
Hotel	**239.6**	**71.7**	**–**	**–**	**(3.8)**	**–**	**67.9**
Property investment	**86.9**	**75.2**	**255.0**	**–**	**–**	**–**	**330.2**
Property development	**–**	**(10.3)**	**–**	**(0.1)**	**–**	**(4.5)**	**(14.9)**
Segment total	**326.5**	**136.6**	**255.0**	**(0.1)**	**(3.8)**	**(4.5)**	**383.2**
Investment and others	**44.2**	**44.2**	**–**	**(13.0)**	**(0.8)**	**–**	**30.4**
Corporate expenses	**–**	**(16.1)**	**–**	**–**	**–**	**–**	**(16.1)**
Total	**370.7**	**164.7**	**255.0**	**(13.1)**	**(4.6)**	**(4.5)**	**397.5**
For the period ended 30 June 2010							
Hotel	203.4	57.1	–	–	(3.3)	–	53.8
Property investment	75.2	63.0	175.7	–	–	–	238.7
Property development	1.1	(4.9)	–	(0.5)	–	(0.6)	(6.0)
Segment total	279.7	115.2	175.7	(0.5)	(3.3)	(0.6)	286.5
Investment and others	23.9	23.9	–	(15.1)	(1.1)	–	7.7
Corporate expenses	–	(3.4)	–	–	–	–	(3.4)
Total	303.6	135.7	175.7	(15.6)	(4.4)	(0.6)	290.8

(i) Substantially all depreciation was attributable to the Hotel Segment.

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

3. Operating Profit

Operating profit is arrived at:

	30/6/2011 HK$ Million	30/6/2010 HK$ Million
After charging/(crediting):		
Depreciation	**17.6**	13.6
Staff costs, including defined contribution pension schemes costs HK$3.3 million (2010: HK$2.8 million)	**69.1**	64.2
Rental charges under operating leases	**5.2**	2.3
Rental income less direct outgoings *(Note)*	**(78.4)**	(65.5)
Interest income on bank deposits	**(19.9)**	(1.9)
Dividend income from listed investments	**(24.3)**	(22.0)

Note: Rental income included contingent rentals of HK$38.2 million (2010: HK$27.3 million).

4. Other Net Loss

	30/6/2011 HK$ Million	30/6/2010 HK$ Million
(Loss)/profit on disposal of available-for-sale investments – including HK$1.8 million (2010: HK$37.2 million) reclassified from the investments revaluation reserve	**(0.6)**	35.4
Net exchange loss	**(12.5)**	(51.0)
	(13.1)	(15.6)

5. Finance Costs

	30/6/2011 HK$ Million	30/6/2010 HK$ Million
Interest on bank borrowings wholly repayable within 5 years	**8.3**	12.2
Other finance costs	**2.5**	2.7
	10.8	14.9
Less: Amount capitalised	**(6.4)**	(10.8)
	4.4	4.1
Fair value changes on cross currency interest rate swaps	**0.2**	0.3
	4.6	4.4

6. **Income Tax**

(a) The provision for Hong Kong Profits Tax is at the rate of 16.5% (2010: 16.5%) of the estimated assessable profits for the period.

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

	30/6/2011 HK$ Million	30/6/2010 HK$ Million (Restated)
Current tax		
Hong Kong Profits Tax provision for the period	**21.9**	16.6
	21.9	16.6
Deferred tax		
Origination and reversal of temporary differences	**(0.2)**	1.3
	(0.2)	1.3
Total tax charge	**21.7**	17.9

(c) There were no tax attributable to jointly controlled entities included in the share of results of jointly controlled entities during the periods ended 30 June 2011 and 2010.

7. **Earnings Per Share**

The calculation of earnings per share is based on the profit for the period attributable to equity shareholders of HK$378.4 million (2010 restated: HK$273.0 million) and 708.8 million (2010: 708.8 million) ordinary shares in issue throughout the period ended 30 June 2011.

There were no potential dilutive ordinary shares in existence during the periods ended 30 June 2011 and 2010.

8. **Dividends Attributable to Equity Shareholders**

	30/6/2011 HK$ Million	30/6/2010 HK$ Million
Interim dividend of 6.0 cents (2010: 5.0 cents) per share proposed after the end of reporting date	**42.5**	35.4

(a) The proposed interim dividends have not been recognised as a liability at the end of reporting date.

(b) The final dividend of HK$106.3 million for 2010 was approved and paid in 2011.

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:

	30/6/2011 HK$ Million	31/12/2010 HK$ Million
Trade receivables		
0 – 30 days	**56.4**	86.5
31 – 60 days	**1.2**	1.0
61 – 90 days	**–**	–
Over 90 days	**2.0**	1.7
	59.6	89.2
Prepayments	**346.6**	190.6
Other receivables	**72.2**	9.5
Amounts due from fellow subsidiaries	**10.4**	12.3
	488.8	301.6

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:

	30/6/2011 HK$ Million	31/12/2010 HK$ Million
Trade creditors		
0 – 30 days	**11.9**	14.5
31 – 60 days	**5.4**	3.0
61 – 90 days	**2.3**	1.1
Over 90 days	**0.4**	0.5
	20.0	19.1
Other payables and provisions	**106.1**	192.8
Construction costs payable	**72.7**	222.8
Amounts due to fellow subsidiaries	**22.9**	28.2
Amount due to an associate	**1.7**	2.7
	223.4	465.6

11. Share Capital

	30/6/2011		31/12/2010	
	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
Issued and fully paid				
Ordinary shares of HK$0.50 each	**708.8**	**354.4**	708.8	354.4

12. Material Related Party Transactions

Material related party transactions during the period ended 30 June 2011 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$17.6 million (2010: HK$13.1 million) which included management fees of HK$14.3 million (2010: HK$10.3 million) and marketing fees of HK$3.3 million (2010: HK$2.8 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, there were in existence project management agreements and sales & marketing agreements with a subsidiary of the ultimate holding company for the project management services and property sales & marketing services in respect of the Group's China property development projects being developed by subsidiaries. Fees payable under this arrangement during the current period amounted to HK$6.5 million (2010: HK$Nil) which included project management fees of HK$1.1 million (2010: HK$Nil) and sales & marketing fees of HK$5.4 million (2010: HK$Nil). The project management fees and sales & marketing fees are calculated based on the relevant percentage of total construction cost and sale of property units respectively. Such transaction constitutes a connected transaction as defined under the Listing Rules.

(c) 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$61.0 million (2010: HK$50.7 million). Such a transaction does not constitute a connected transaction under the Listing Rules.

13. Contingent Liabilities

As at 30 June 2011, 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$3,003.8 million (31 December 2010: HK$3,396.6 million). Except for the above, the Company does not provide any other guarantee. The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was HK$Nil (31 December 2010: 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

	30/6/2011 HK$ Million	31/12/2010 HK$ Million
(a) Capital commitments (include investment properties)		
Contracted but not provided for	**210.2**	139.8
Authorised but not contracted for	**5,456.2**	4,866.9
	5,666.4	5,006.7
(b) Properties under development (other than investment properties)		
Contracted but not provided for	**1,444.0**	981.7
Authorised but not contracted for	**10,152.1**	10,723.8
	11,596.1	11,705.5
(c) Properties under development undertaken by jointly controlled entities attributable to the Group		
Contracted but not provided for	**219.6**	52.0
Authorised but not contracted for	**1,995.2**	1,250.4
	2,214.8	1,302.4
(d) Expenditure for operating leases		
Within one year	**6.2**	5.8
After one year but within five years	**1.3**	5.3
	7.5	11.1

15. Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation and the adoption of the amendments to HKAS 12 "Income taxes" as described in Note 1.

16. Review of Results

The unaudited interim results for the six months ended 30 June 2011 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 the code of conduct adopted by the Company regarding directors' securities transactions during the period under review.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2011, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, The Wharf (Holdings) Limited ("Wharf") (which is the Company's parent company), Wheelock and Company Limited ("Wheelock") (which is Wharf's parent company) and i-CABLE Communications Limited ("i-CABLE") (which is a fellow subsidiary of the Company), and the percentages which the relevant shares represented to the issued share capitals of the four companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	**Nature of Interest**
The Company		
Michael T P Sze	37,500 (0.0053%)	Family Interest
Wheelock		
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
T Y Ng	70,000 (0.0034%)	Personal Interest
Wharf		
Stephen T H Ng	804,445 (0.0266%)	Personal Interest
T Y Ng	220,294 (0.0073%)	Personal Interest
Michael T P Sze	50,099 (0.0017%)	Family Interest
i-CABLE		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest
T Y Ng	17,801 (0.0009%)	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 2011 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 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 2011, 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	505,210,196 (71.28%)
(ii)	Wharf Estates Limited	505,210,196 (71.28%)
(iii)	The Wharf (Holdings) Limited	505,210,196 (71.28%)
(iv)	WF Investment Partners Limited	505,210,196 (71.28%)
(v)	Wheelock and Company Limited	505,210,196 (71.28%)
(vi)	HSBC Trustee (Guernsey) Limited	505,210,196 (71.28%)
(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 2011, 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 Tuesday, 20 September 2011 to Thursday, 22 September 2011, both days inclusive, during which period no share transfers 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 Monday, 19 September 2011.

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, 15 August 2011

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 four Independent Non-executive Directors, namely, Dr Joseph M K Chow, Mr H M V de Lacy Staunton, Mr Michael T P Sze and Mr Brian S K Tang.

Notwithstanding any choice of language or means for the receipt of corporate communications (viz. annual report, interim report, etc.) previously made by Shareholder(s) and communicated to the Company, Shareholder(s) is/are given the option (which may be exercised at any time by giving reasonable prior notice to the Company) of changing his/her/their choice of printed language version(s) to English only, Chinese only or both English and Chinese for receiving future corporate communications, or changing the choice of receiving future corporate communications to using electronic means instead of in printed version (or vice versa). Such notice of change of choice should contain the full name(s) in English, address and contact telephone number of the relevant Shareholder(s), together with the relevant words regarding the request for the change of choice, and should be sent to the Company, c/o the Company's Registrars, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by post or by hand delivery, or via email to harbourcentre-ecom@hk.tricorglobal.com.