HARBOUR CENTRE DEVELOPMENT LIMITED

海港企業有限公司

2012

INTERIM REPORT

中期報告書

STOCK CODE 股份代號：51

HIGHLIGHTS

- Realisation of the China property portfolio generated rapid growth, as Shareholders were advised in the Company's 2011 Annual Report.
- The completion of Xiyuan in Shanghai on plan enabled the segment to report HK$4.0 billion of turnover and HK$1.6 billion of operating profit.
- The attributable landbank as at 30 June 2012 totaled 2.3 million square metres, representing 70% of the Group's business assets in value.
- The net order book as at 30 June 2012 was RMB5.3 billion for 485,000 square metres of properties to be completed in stages.
- Core businesses in Hong Kong also reported significant growth during the period.
- Group turnover and operating profit increased more than 10-fold, while core earnings 8-fold to HK$1.1 billion.

GROUP RESULTS

The unaudited Group profit attributable to equity shareholders for the six months ended 30 June 2012 amounted to HK$1,698.6 million, for an increase of 349% as compared with the corresponding period last year (2011: HK$378.4 million). Earnings per share were HK$2.40 (2011: HK$0.53) based on 708.8 million issued shares.

The Group's profit included an investment property revaluation surplus of HK$586.0 million (2011: HK$255.0 million). Excluding this, profit for the period under review was HK$1,112.6 million (2011: HK$123.4 million) for an increase of 802%, attributable mainly to the completion of the Xiyuan project in Shanghai.

INTERIM/SPECIAL INTERIM DIVIDENDS

The Board has declared an interim dividend of 12 cents (2011: 6 cents) per share. Furthermore, in light of the record profit reported for the six-month period under review, the Board has also declared a special non-recurrent interim dividend of 36 cents (2011: Nil) per share. Both such dividends will be payable on 27 September 2012 to Shareholders on record as at 20 September 2012. Total dividend distributions for the six-month period under review will amount to 48 cents (2011: 6 cents) per share, absorbing a total amount of HK$340.2 million (2011: HK$42.5 million).

BUSINESS REVIEW

China Properties

Shareholders were advised in the Company's 2011 Annual Report to expect the pace of realisation of the China property business to accelerate and generate rapid growth. In accordance with plan, completion of Xiyuan in Shanghai in the first half of 2012 enabled the segment to report a turnover of HK$4,079 million and an operating profit of HK$1,621 million (for a gross margin of a 40%).

The wealth creation momentum continued to generate demand for quality urban living. The Group's projects are able to benefit from Wharf's trusted brand in the development of quality and well-located residences.

As at 30 June 2012, the Group had an attributable land bank of 2.3 million square metres, which represented 70% of the Group's business assets at a book value of HK$11 billion.

Sales

During the period under review, a total of 166,700 square metres of properties were contracted for sale for RMB2.1 billion.

As at the end of June 2012, the net order book was RMB5.3 billion for 485,000 square metres of properties.

Suzhou Times City released additional phases for pre-sale during the period. 90,000 square metres were pre-sold at an average price of RMB10,900 per square metre for proceeds of RMB977 million. Cumulative GFA pre-sold represents 19% of the project total.

Initial phases of retail units and additional phases of residential units of Chongqing U World were launched for pre-sale during the period. On an attributable basis, 13,000 square metres were pre-sold at an average price of RMB22,400 per square metre for the residential towers and RMB48,300 per square metre for the retail units for total proceeds of RMB393 million. Cumulative GFA pre-sold represents 26% of the project total.

Shanghai Xiyuan sold a further 8,700 square metres at an average price of RMB43,200 per square metre for proceeds of RMB375 million. Cumulative GFA sold represents 83% of the project total, with 75% of the project total recognised in the first half of 2012.

Changzhou Times Palace launched additional phases (繁華里) for pre-sale during the period and sold 55,000 square metres at an average selling price of RMB6,200 per square metre for proceeds of RMB351 million. Cumulative GFA pre-sold represents 34% of the project total.

Development Progress

Changzhou Times Palace comprises residential towers, semi-detached houses and villas, a 31-suite State Guest House, a five-star hotel with 271 rooms and 137 serviced apartments with a total GFA of 800,000 square metres. Construction is underway, with full completion scheduled for 2014. The State Guest House, the five-star hotel and serviced apartments will be completed in 2013.

Chongqing U World, a joint development with China Overseas Land & Investment with the Group owning 55%, offers an attributable GFA of 235,000 square metres to the Group with most of the residences enjoying a panoramic river view from different angles. The development is located in the new Jiangbei CBD near the Grand Theatre, Science Museum and Chongqing Central Park providing a pleasant living environment. Construction is underway, with full completion scheduled for 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 IFC (International Finance Centre), intended to be held mainly for investment, is a 450-metre skyscraper landmark development in the new CBD overlooking Jinji Lake. It will be directly connected to a future metro station and is designed by the internationally renowned architect, Kohn Pedersen Fox. With a total GFA of 351,000 square metres, it consists of international Grade A office, luxurious apartments plus a premium sky hotel with full scenery of Suzhou. Construction is underway, with full completion scheduled for 2016 for a total project cost of over RMB5 billion.

The other project Suzhou Times City, located along the main east-west thoroughfare of Xiandai Da Dao near a future metro station, offers a GFA of 907,000 square metres. Construction for the initial phases is underway. Full completion of the project is scheduled for 2018.

Hotel

Marco Polo Hongkong Hotel ("MPHK Hotel") posted a favourable performance during the period, spurred by thriving inbound tourism and strong hotel room demand. The segment's revenue and operating profit increased by 22% and 39% respectively during the period. Average room rate increased by 11% while average occupancy climbed by 12 percentage points to 88.5%. 2011's occupancy (77%) had been affected by the phased renovation of MPHK Hotel, which was completed by the end of 2011.

Property Investment

The Property Investment segment was propelled by solid consumption demand in Hong Kong, with a 40% increase in turnover and a 43% increase in operating profit. The Group's property investment portfolio, comprising the office and retail areas of MPHK Hotel and Star House retail units, were revalued by an independent valuer as at 30 June 2012. Net revaluation surplus during the period was HK$586 million.

FINANCIAL REVIEW

(I) Review of 2012 Interim Results

With development projects in the Mainland accelerating in 2012 in line with plan, the Property Development segment helped the Group to records in both revenue and profits.

Turnover
Group turnover increased to a record high of HK$4,554.9 million (2011: HK$370.7 million), primarily attributable to the recognition of property sales.

Property Development recognised property sales of HK$4,078.5 million (2011: HK$Nil) mainly from Shanghai Xiyuan project, which was completed in June 2012. During the first half of 2012, the Group recorded total contracted sales of RMB2,096.3 million to bring its net order book to RMB5,307.5 million, which is available for recognition by completion method in the future.

Hotel segment also performed well and revenue increased by 22% to HK$292.5 million (2011: HK$239.6 million).

Property Investment revenue increased by 40% to HK$121.4 million (2011: HK$86.9 million) resulting from higher average rental particularly from the retail areas after having improved the tenant mix.

Investment and other income including interest and dividend from the Group's surplus cash and investments increased by 41% to HK$62.5 million (2011: HK$44.2 million).

Operating Profit
Group operating profit increased by HK$1,667.4 million to a record high of HK$1,832.1 million (2011: HK$164.7 million).

Property Development's profit increased to HK$1,620.7 million (2011: loss of HK$10.3 million) for an operating margin of 40%, mainly due to profit recognition on completion of Shanghai Xiyuan.

Hotel profit increased by 39% to HK$99.4 million (2011: HK$71.7 million), Property Investment profit increased by 43% to HK$107.7 million (2011: HK$75.2 million) and profit from investment and others increased by 41% to HK$62.5 million (2011: HK$44.2 million).

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 2012 resulting in a valuation gain of HK$586.0 million (2011: HK$255.0 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 Income
Other net income for the period mainly included foreign exchange gain of HK$35.2 million (2011: loss of HK$12.5 million) and loss on sales of investment of HK$6.8 million (2011: loss of HK$0.6 million).

Finance Costs
Net finance costs for the period was HK$11.3 million (2011: HK$4.6 million). The charge was after capitalisation of HK$15.4 million (2011: HK$6.4 million) for the Group's Mainland China projects.

Share of Results after Tax of Jointly Controlled Entities
Share of loss of jointly controlled entities after tax was HK$10.4 million (2011: HK$4.5 million), mainly representing the initial expenses for development projects.

Income Tax
The taxation charge for the period increased to HK$734.9 million (2011: HK$21.7 million) as a result of increase in taxable profit.

Profit Attributable to Equity Shareholders
Group profit attributable to equity shareholders for the period ended 30 June 2012 amounted to HK$1,698.6 million (2011: HK$378.4 million), representing an increase of HK$1,320.2 million or 349%. Earnings per share were HK$2.40 (2011: HK$0.53) based on issued shares of 708.8 million.

Excluding the investment property revaluation surplus of HK$586.0 million (2011: HK$255.0 million), core profit attributable to shareholders for the period was HK$1,112.6 million (2011: HK$123.4 million), representing an increase of 802%. Core earnings per share were HK$1.57 (2011: HK$0.17) based on issued shares of 708.8 million.

(II) Liquidity, Financial Resources and Commitments

Shareholders' and Total Equity
As at 30 June 2012, the Group's shareholders' equity increased by 15% to HK$13,222.5 million (31/12/2011: HK$11,462.9 million), equivalent to HK$18.65 per share (31/12/2011: HK$16.17 per share). Including the non-controlling interests, the Group's total equity stood at HK$14,025.1 million (31/12/2011: HK$12,278.7 million).

MPHK Hotel 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 2012 carried out by an independent valuer would give rise to an additional revaluation surplus of HK$3,765.8 million and increase the Group's shareholders' equity as at 30 June 2012 to HK$16,988.3 million, equivalent to HK$23.97 per share.

Total Assets
The Group's total assets decreased by 3% to HK$22,358.5 million (31/12/2011: HK$23,054.5 million), including HK$15,179.1 million of business assets, HK$5,885.8 million of bank deposits and cash, as well as HK$1,257.0 million of available-for-sale investments.

The Group's major business assets included properties for sale of HK$7,609.2 million, interest held through jointly controlled entities of HK$1,748.8 million and investment properties of HK$4,867.7 million. Geographically, HK$10,681.0 million or 70% of the Group's total business assets were located in Mainland China.

Debt and Gearing
As at 30 June 2012, the Group had net cash of HK$3,450.4 million (31/12/2011: HK$2,700.3 million), which was made up of HK$5,885.8 million cash and HK$2,435.4 million bank borrowings.

Finance and Availability of Facilities and Funds
As at 30 June 2012, the Group's available loan facilities amounted to HK$4,608.7 million, of which HK$2,435.4 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$4,781.1 million (31/12/2011: HK$4,200.4 million).

The Group's debts were denominated in HKD, USD and RMB. 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.

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 2012, the Group also maintained a portfolio of investments primarily consisting of blue chip securities, with an aggregate market value of HK$1,257.0 million (31/12/2011: HK$1,119.1 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.

Net Cash Flows for Operating and Investing Activities
For the period under review, the Group generated HK$778.1 million of net cash inflow from operating activities (2011: HK$1,491.2 million), primarily from the pre-sale and the payment of construction cost of the Group's Mainland development projects. For investing activities, the Group had net cash inflow of HK$127.3 million (2011: HK$69.8 million), mainly representing the proceeds from sale of available-for-sale investments.

Commitments
As at 30 June 2012, the Group's total contracted commitments amounted to HK$2.7 billion which was substantially related to Mainland development projects. Apart from that, the Group plans to invest HK$15.7 billion mainly on construction costs to complete the Group's China development projects, which 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 680 employees as at 30 June 2012. 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 2012 – Unaudited

		Six months ended 30 June	
		2012	2011
	Note	**HK$ Million**	HK$ Million
Turnover	2	**4,554.9**	370.7
Direct costs and operating expenses		**(2,520.4)**	(146.0)
Selling and marketing expenses		**(155.7)**	(25.0)
Administrative and corporate expenses		**(27.0)**	(17.4)
Operating profit before depreciation, interest and tax		**1,851.8**	182.3
Depreciation		**(19.7)**	(17.6)
Operating profit	3	**1,832.1**	164.7
Increase in fair value of investment properties		**586.0**	255.0
Other net income/(loss)	4	**28.4**	(13.1)
		2,446.5	406.6
Finance costs	5	**(11.3)**	(4.6)
Share of results after tax of jointly controlled entities		**(10.4)**	(4.5)
Profit before taxation		**2,424.8**	397.5
Income tax	6(a)	**(734.9)**	(21.7)
Profit for the period		**1,689.9**	375.8
Profit attributable to:			
Equity shareholders		**1,698.6**	378.4
Non-controlling interests		**(8.7)**	(2.6)
		1,689.9	375.8
Earnings per share	7		
Basic		**HK$2.40**	HK$0.53
Diluted		**HK$2.40**	HK$0.53

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012 – Unaudited

	Six months ended 30 June	
	2012	2011
	HK$ Million	HK$ Million
Profit for the period	**1,689.9**	375.8
Other comprehensive income		
Exchange difference on translation of:	**(54.2)**	215.4
Financial statements of overseas subsidiaries	**(44.7)**	176.1
Financial statements of jointly controlled entities	**(9.5)**	39.3
Net revaluation reserves of available-for-sale investments:	**238.3**	(33.7)
Surplus/(deficit) on revaluation	**216.0**	(35.5)
Transferred to consolidated income statement on disposal	**22.3**	1.8
Other comprehensive income for the period	**184.1**	181.7
Total comprehensive income for the period	**1,874.0**	557.5
Total comprehensive income attributable to:		
Equity shareholders	**1,887.2**	542.3
Non-controlling interests	**(13.2)**	15.2
	1,874.0	557.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2012 – Unaudited

	Note	**30 June 2012 HK$ Million**	31 December 2011 HK$ Million
Non-current assets			
Fixed assets			
Investment properties		**4,867.7**	4,289.7
Leasehold land		**54.1**	54.2
Other properties, plant and equipment		**388.7**	305.2
Total fixed assets		**5,310.5**	4,649.1
Interest in an associate		**0.1**	0.1
Interest in jointly controlled entities		**1,748.8**	1,768.7
Available-for-sale investments		**1,257.0**	1,119.1
Employee retirement benefit assets		**10.3**	10.7
Deferred tax assets		**11.5**	21.8
		8,338.2	7,569.5
Current assets			
Properties for sale		**7,609.2**	8,716.5
Inventories		**2.6**	2.9
Trade and other receivables	9	**401.0**	690.2
Prepaid tax		**96.6**	228.7
Derivative financial assets		**25.1**	5.2
Bank deposits and cash		**5,885.8**	5,841.5
		14,020.3	15,485.0
Current liabilities			
Trade and other payables	10	**(1,406.7)**	(933.9)
Pre-sale deposits and proceeds		**(3,848.8)**	(6,561.7)
Derivative financial liabilities		**(6.0)**	(31.2)
Bank loans		**(1,595.3)**	(300.0)
Taxation payable		**(567.3)**	(78.5)
		(7,424.1)	(7,905.3)
Net current assets		**6,596.2**	7,579.7
Total assets less current liabilities		**14,934.4**	15,149.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2012 – Unaudited

	Note	**30 June 2012 HK$ Million**	31 December 2011 HK$ Million
Non-current liabilities			
Derivative financial liabilities		**–**	(4.3)
Bank loans		**(840.1)**	(2,841.2)
Deferred tax liabilities		**(69.2)**	(25.0)
		(909.3)	(2,870.5)
NET ASSETS		**14,025.1**	12,278.7
Capital and reserves			
Share capital	11	**354.4**	354.4
Reserves		**12,868.1**	11,108.5
Shareholders' equity		**13,222.5**	11,462.9
Non-controlling interests		**802.6**	815.8
TOTAL EQUITY		**14,025.1**	12,278.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012 – Unaudited

	Shareholders' equity							
	Share capital HK$ Million	Share premium HK$ Million	Investments revaluation reserve HK$ Million	Exchange reserve HK$ Million	Revenue reserve HK$ Million	Total shareholders' equity HK$ Million	Non-controlling interests HK$ Million	Total equity HK$ Million
At 1 January 2012	**354.4**	**3,287.0**	**464.9**	**940.7**	**6,415.9**	**11,462.9**	**815.8**	**12,278.7**
Changes in equity for the period:								
Profit	**–**	**–**	**–**	**–**	**1,698.6**	**1,698.6**	**(8.7)**	**1,689.9**
Other comprehensive income	**–**	**–**	**238.3**	**(49.7)**	**–**	**188.6**	**(4.5)**	**184.1**
Total comprehensive income	**–**	**–**	**238.3**	**(49.7)**	**1,698.6**	**1,887.2**	**(13.2)**	**1,874.0**
Second interim dividends paid for 2011	**–**	**–**	**–**	**–**	**(127.6)**	**(127.6)**	**–**	**(127.6)**
At 30 June 2012	**354.4**	**3,287.0**	**703.2**	**891.0**	**7,986.9**	**13,222.5**	**802.6**	**14,025.1**
At 1 January 2011	354.4	3,287.0	1,038.8	516.6	5,477.1	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)	197.6	378.4	542.3	15.2	557.5
Shares issued by a subsidiary	–	–	–	–	–	–	12.0	12.0
Final dividends paid for 2010 *(Note 8)*	–	–	–	–	(106.3)	(106.3)	–	(106.3)
At 30 June 2011	354.4	3,287.0	1,005.1	714.2	5,749.2	11,109.9	793.0	11,902.9

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2012 – Unaudited

	Six months ended 30 June	
	2012	2011
	HK$ Million	HK$ Million
Net cash generated from operating activities	**778.1**	1,491.2
Net cash generated from investing activities	**127.3**	69.8
Net cash used in financing activities	**(832.4)**	(458.2)
Increase in cash and cash equivalents	**73.0**	1,102.8
Cash and cash equivalents at 1 January	**5,841.5**	3,521.8
Effect on exchange rate changes	**(28.7)**	55.8
Cash and cash equivalents at 30 June	**5,885.8**	4,680.4

Cash and cash equivalents represent bank deposits and cash.

NOTES TO THE FINANCIAL STATEMENTS

1. Principal Accounting Policies and Basis of Preparation

These 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 and the applicable disclosure provisions of the Rules Governing the Listing of Securities on 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, 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 2011 except the changes mentioned below.

With effect from 1 January 2012, the Group has adopted the below amendment to Hong Kong Financial Reporting Standards ("HKFRSs"), which is relevant to the Group's financial statements:

Amendment to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets

The Group has assessed the impact of the adoption of this amendment and considered that there was no significant impact on the Group's results and financial position or any substantial changes in the Group's accounting policies.

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 property development, hotel and property investment. No operating segment has been aggregated to form the following reportable segments.

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

Hotel segment represents the operations of Marco Polo Hongkong Hotel. Some of the Group's development projects in Mainland China include hotel properties.

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.

2. Segment Information (continued)

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 assets, 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.

Analysis of segment revenue and results

Six months ended	Turnover HK$ Million	Operating profit/ (loss) HK$ Million	Increase in fair value of investment properties HK$ Million	Other net income/ (loss) HK$ Million	Finance costs HK$ Million	Jointly controlled entities HK$ Million	Profit before taxation HK$ Million
30 June 2012							
Property development	**4,078.5**	**1,620.7**	**–**	**(0.5)**	**–**	**(10.4)**	**1,609.8**
Hotel	**292.5**	**99.4**	**–**	**0.7**	**(5.4)**	**–**	**94.7**
Property investment	**121.4**	**107.7**	**586.0**	**–**	**–**	**–**	**693.7**
Segment total	**4,492.4**	**1,827.8**	**586.0**	**0.2**	**(5.4)**	**(10.4)**	**2,398.2**
Investment and others	**62.5**	**62.5**	**–**	**28.2**	**(5.9)**	**–**	**84.8**
Corporate expenses	**–**	**(58.2)**	**–**	**–**	**–**	**–**	**(58.2)**
Group total	**4,554.9**	**1,832.1**	**586.0**	**28.4**	**(11.3)**	**(10.4)**	**2,424.8**
30 June 2011							
Property development	–	(10.3)	–	(0.1)	–	(4.5)	(14.9)
Hotel	239.6	71.7	–	–	(3.8)	–	67.9
Property investment	86.9	75.2	255.0	–	–	–	330.2
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)
Group total	370.7	164.7	255.0	(13.1)	(4.6)	(4.5)	397.5

(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:

	Six months ended 30 June 2012 HK$ Million	2011 HK$ Million
After charging/(crediting):		
Depreciation	**19.7**	17.6
Staff costs (Note i)	**90.1**	69.1
Auditors' remuneration	**0.5**	0.5
Cost of trading properties sold during the period	**2,355.0**	–
Rental charges under operating leases	**5.0**	5.2
Rental income less direct outgoings (Note ii)	**(111.1)**	(78.4)
Interest income on bank deposits	**(40.3)**	(19.9)
Dividend income from listed investments	**(22.2)**	(24.3)

Notes:

(i) Staff costs included defined contribution pension schemes costs HK$3.7 million (2011: HK$3.3 million).

(ii) Rental income included contingent rentals of HK$44.4 million (2011: HK$38.2 million).

4. Other Net Income/(Loss)

	Six months ended 30 June 2012 HK$ Million	2011 HK$ Million
Loss on disposal of available-for-sale investments – including HK$22.3 million (2011: HK$1.8 million) reclassified from the investments revaluation reserve	**(6.8)**	(0.6)
Net foreign exchange gain/(loss)	**35.2**	(12.5)
	28.4	(13.1)

5. Finance Costs

	Six months ended 30 June	
	2012	2011
	HK$ Million	HK$ Million
Interest charged on:		
Bank loans wholly repayable within five years	**17.4**	8.3
Other finance costs	**3.9**	2.5
	21.3	10.8
Less: Amount capitalised	**(15.4)**	(6.4)
	5.9	4.4
Fair value cost on cross currency interest rate swaps	**5.4**	0.2
	11.3	4.6

6. Income Tax

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

	Six months ended 30 June	
	2012	2011
	HK$ Million	HK$ Million
Current income tax		
Hong Kong		
– Provision for the period	**31.8**	21.9
Mainland China		
– Provision for the period	**373.6**	–
	405.4	21.9
Land appreciation tax ("LAT") in China	**275.3**	–
Deferred tax		
Origination and reversal of temporary differences	**54.2**	(0.2)
Total tax charge	**734.9**	21.7

(b) The provision for Hong Kong profits tax is at the rate of 16.5% (2011: 16.5%) of the estimated assessable profits for the period.

(c) Income tax on assessable profit in Mainland China are China corporate income tax calculated at a rate of 25% and China withholding income tax at a rate of up to 10%.

6. Income Tax (continued)

(d) Under the Provisional Regulations on LAT, all gains arising from transfer of real estate property in Mainland China are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights, borrowings costs and all property development expenditures.

(e) No tax attributable to associate or jointly controlled entities for the period (2011: HK$Nil) is included in the share of results of associate or jointly controlled entities.

7. Earnings Per Share

The calculation of earnings per share is based on the profit for the period attributable to equity shareholders of HK$1,698.6 million (2011: HK$378.4 million) and 708.8 million (2011: 708.8 million) ordinary shares.

There were no potential dilutive ordinary shares in existence during the periods ended 30 June 2012 and 2011.

8. Dividends Attributable to Equity Shareholders

	Six months ended 30 June	
	2012	2011
	HK$ Million	HK$ Million
Dividends declared after the end of the reporting period:		
First interim dividend of 12 cents (2011: 6 cents) per share	**85.1**	42.5
Special interim dividend of 36 cents (2011: Nil) per share	**255.1**	–
	340.2	42.5

(a) The first interim dividend and special interim dividend declared after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

(b) The second interim dividend of HK$127.6 million for 2011 was approved and paid in 2012.

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 30 June 2012 as follows:

	30 June 2012 HK$ Million	31 December 2011 HK$ Million
Trade receivables		
0 – 30 days	**20.7**	105.3
31 – 60 days	**1.5**	7.2
61 – 90 days	**0.1**	1.5
Over 90 days	**–**	0.2
	22.3	114.2
Prepayments	**225.5**	458.7
Other receivables	**128.5**	105.8
Amounts due from fellow subsidiaries	**24.7**	11.5
	401.0	690.2

The Group has defined credit policies for each of its core business. The general credit terms allowed range from 0 to 60 days, except for sale of properties the proceeds from which are receivable pursuant to the terms of the agreements. All the receivables are expected to be virtually recoverable within one year.

10. Trade and Other Payables

Included in this item are trade creditors with an ageing analysis as at 30 June 2012 as follows:

	30 June 2012 HK$ Million	31 December 2011 HK$ Million
Trade creditors		
0 – 30 days	**8.2**	12.2
31 – 60 days	**–**	6.0
61 – 90 days	**–**	0.5
Over 90 days	**0.4**	0.1
	8.6	18.8
Other payables and provisions	**167.8**	144.3
Construction costs payable	**843.1**	529.4
Amounts due to fellow subsidiaries	**42.2**	30.2
Amounts due to an associate	**1.3**	1.3
Amounts due to jointly controlled entities	**343.7**	209.9
	1,406.7	933.9

11. Share Capital

	30 June 2012 No. of shares Million	31 December 2011 No. of shares Million	**30 June 2012 HK$ Million**	31 December 2011 HK$ Million
Authorised				
Ordinary shares of HK$0.50 each	**1,200.0**	1,200.0	**600.0**	600.0
Issued and fully paid				
Ordinary shares of HK$0.50 each	**708.8**	708.8	**354.4**	354.4

12. Material Related Party Transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation. Material transactions between the Group and other related parties during the period ended 30 June 2012 are set out below:

(a) During the financial period, there was in existence agreements with a subsidiary of the ultimate holding company for the management, marketing and technical services of the Group's hotel operations. Total fees payable under this arrangement during the current period amounted to HK$26.1 million (2011: HK$17.6 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. The project management fee is calculated based on a percentage of costs and expenses actually incurred. The technical services fee is calculated based on relevant fee per hotel room. Such transaction constitutes a connected transaction as defined under the Listing Rules.

(b) During the financial period, there were in existence 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. Total fees payable under this arrangement during the current period amounted to HK$31.9 million (2011: HK$6.5 million). The project management fees and sales & marketing fee 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 & 3/F of 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$90.0 million (2011: HK$61.0 million). Such a transaction does not constitute a connected transaction under the Listing Rules.

13. Contingent Liabilities

As at 30 June 2012, 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$2,465.4 million (31/12/2011: HK$3,171.1 million). Except for the above, the Company does not provide any other guarantee. The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was HK$Nil (31/12/2011: HK$Nil).

As at the end of the reporting period, 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 June 2012 HK$ Million	31 December 2011 HK$ Million
(a) Capital commitments (include investment properties)		
Contracted but not provided for	**597.2**	197.6
Authorised but not contracted for	**5,206.4**	5,535.9
	5,803.6	5,733.5
(b) Properties under development (other than investment properties)		
Contracted but not provided for	**1,842.4**	2,221.1
Authorised but not contracted for	**8,512.4**	9,367.0
	10,354.8	11,588.1
(c) Properties under development undertaken by jointly controlled entities attributable to the Group		
Contracted but not provided for	**201.6**	197.3
Authorised but not contracted for	**1,978.0**	1,992.4
	2,179.6	2,189.7
(d) Expenditure for operating leases		
Within one year	**7.3**	4.4
After one year but within five years	**2.0**	2.7
	9.3	7.1

15. Comparative Figures

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

16. Review of Unaudited Interim Financial Statements

The unaudited interim financial statements for the six months ended 30 June 2012 have been reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE PRACTICES

During the first three-month period, from 1 January to 31 March 2012, in the financial period under review, all the applicable code provisions in the Code on Corporate Governance Practices (which were effective during that three-month period), as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") then in force, were met by the Company, except in respect of one code provision (viz. Code Provision A.2.1) providing for the roles of the chairman and chief executive officer (or chief executive) to be performed by different individuals (the "First Deviation"). 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. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high calibre individuals, with half of them being Independent Non-executive Directors ("INEDs").

During the remaining three-month period, from 1 April to 30 June 2012, in the financial period under review, all the code provisions in the Corporate Governance Code (which is set out in the current version of Appendix 14 of the Listing Rules) were met by the Company, with the exception of two deviations, namely, (i) the First Deviation (with details etc. as mentioned above); and (ii) Code Provision A.6.7 (the "Second Deviation") providing for INEDs and other Non-executive Directors ("NEDs") of the Company to, *inter alia*, attend general meetings. Regarding the Second Deviation, a few NEDs of the Company were absent from the last Annual General Meeting of the Company held in May 2012 due to their other important engagements at the relevant time.

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 2012, 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), Wheelock and Company Limited ("Wheelock") (which is Wharf's parent company), i-CABLE Communications Limited ("i-CABLE") and Wharf Finance Limited (both being fellow subsidiaries of the Company), and the percentages (where applicable) which the relevant securities represented to the issued share capitals of the five companies respectively are also set out below:

	Quantity held (percentage of issued capital, where 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 *(Note 1)*	2,304,445 (0.0761%)	Personal interest
T Y Ng *(Note 2)*	1,720,294 (0.0568%)	Personal interest
Michael T P Sze	50,099 (0.0017%)	Family interest
Paul Y C Tsui *(Note 3)*	1,500,000 (0.0495%)	Personal 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 Limited – US$ Fixed Rate Notes due 2017		
Brian S K Tang	US$400,000	Personal Interest

Notes:

(1) Of the 2,304,445 Wharf shares, 1,500,000 shares represent the options granted to Mr Stephen T H Ng under Wharf's share option scheme in July 2011 which have not yet been exercised by Mr Ng. Therefore, no Wharf shares were allotted and issued to Mr Ng accordingly.

(2) Of the 1,720,294 Wharf shares, 1,500,000 shares represent the options granted to Mr T Y Ng under Wharf's share option scheme in July 2011 which have not yet been exercised by Mr Ng. Therefore, no Wharf shares were allotted and issued to Mr Ng accordingly.

(3) The 1,500,000 Wharf shares represent the options granted to Mr Paul Y C Tsui under Wharf's share option scheme in July 2011 which have not yet been exercised by Mr Tsui. Therefore, no Wharf shares were allotted and issued to Mr Tsui accordingly.

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 2012 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 and its associated corporations 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 2012, 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)	The Wharf (Holdings) Limited	505,210,196	(71.28%)
(ii)	Wheelock and Company Limited	505,210,196	(71.28%)
(iii)	HSBC Trustee (Guernsey) Limited	505,210,196	(71.28%)
(iv)	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 (iii) above in that they represent the same block of shares.

All the interests stated above represented long positions and as at 30 June 2012, there were no short position interests recorded in the Register.

CHANGES OF INFORMATION OF DIRECTORS

Given below is the latest information regarding the directorships held at present and/or former directorship(s) (if any) held within the past three years in other listed public company(ies) in respect of any and all those Director(s) of the Company for whom there has/have been change(s) in the relevant information since the publication of the last annual report of the Company (or, where applicable as regards Director(s) appointed subsequent thereto, since the date of appointment as Director(s) of the Company):

Director(s)	Present/(*Former*) directorship(s) in other listed public company(ies)
Stephen T H Ng	Wheelock; Wharf; i-CABLE; Joyce Boutique Holdings Limited ("Joyce"); Greentown China Holdings Limited ("Greentown China") (appointed in June 2012)
Paul Y C Tsui	Wheelock; Wharf; i-CABLE; Joyce; Wheelock Properties (Singapore) Limited; Greentown China (appointed in August 2012); *(Wheelock Properties Limited (formerly a listed public company until it became a wholly-owned subsidiary of Wheelock in July 2010))*

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, 18 September 2012 to Thursday, 20 September 2012, 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 and special 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, 17 September 2012.

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, 15 August 2012

As at the date of this interim report, the Board of Directors of the Company comprises Mr Stephen T H Ng, Ms Y T Leng, Mr T Y Ng, Mr Paul Y C Tsui and Mr Frankie C M Yick, together with five Independent Non-executive Directors, namely, Dr Joseph M K Chow, Mr H M V de Lacy Staunton, Hon Andrew K Y Leung, 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 26/F, 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.