



HARBOUR CENTRE DEVELOPMENT LIMITED

Interim Results Announcement For the six months ended 30th June, 2005

GROUP RESULTS

The unaudited Group profit attributable to shareholders for the six months ended 30th June, 2005 amounted to HK\$197.9 million, an increase of 49.1% as compared with HK\$132.7 million reported for the corresponding period last year. Earnings per share were 63 cents.

Following the adoption of the new accounting standards as detailed hereunder, the Group has included the investment property revaluation surplus after related deferred tax of HK\$86.5 million in the results. Excluding this net surplus, the profit for the half-year under review would be HK\$111.4 million, a decrease of 16% against the comparable period.

The improvement in the Group's net operating profits by 9.5% was principally attributed to better performance of the Group hotel as market conditions continued to improve.

INTERIM DIVIDEND

The Board has declared an interim dividend in respect of the half-year period ended 30th June, 2005 of 5.0 cents (2004: 5.0 cents) per share, payable on Wednesday, 12th October, 2005 to shareholders on record as at 4th October, 2005.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2005**

		Unaudited 30/6/2005 HK\$ Million	(Restated) Unaudited 30/6/2004 HK\$ Million
	Note	<u> </u>	<u> </u>
Turnover	(1)	232.0	209.9
Direct costs and operating expenses		(100.8)	(92.6)
Selling and marketing expenses		(10.3)	(8.5)
Depreciation and amortisation		(9.2)	(7.0)
Administrative and corporate expenses		(2.5)	(2.1)
		<u> </u>	<u> </u>
Operating profit	(1)	109.2	99.7
Increase in fair value of investment property		104.8	-
Non-operating items	(2)	2.9	7.5
Share of profits less losses of associates		14.5	47.1
		<u> </u>	<u> </u>
Profit before taxation		231.4	154.3
Taxation	(3)	(33.5)	(21.6)
		<u> </u>	<u> </u>
Profit attributable to shareholders		197.9	132.7
		<u> </u>	<u> </u>
Proposed interim dividends		15.8	15.8
		<u> </u>	<u> </u>
Earnings per share	(4)	HK\$0.63	HK\$0.42
		<u> </u>	<u> </u>
Proposed interim dividends per share		HK\$0.05	HK\$0.05
		<u> </u>	<u> </u>

**CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE, 2005**

	Unaudited 30/6/2005 HK\$ Million	(Restated) Audited 31/12/2004 HK\$ Million
Non-current assets		
Fixed assets	1,327.2	1,076.8
Interest in leasehold land held for own use	15.3	15.3
Interest in associates	2.6	42.4
Long term investments	854.7	820.4
Employee benefits	8.1	8.7
	<u>2,207.9</u>	<u>1,963.6</u>
Current assets		
Inventories	3.2	3.4
Trade and other receivables	29.6	51.4
Cash and cash equivalents	1,736.8	1,737.5
	<u>1,769.6</u>	<u>1,792.3</u>
Current liabilities		
Trade and other payables	70.9	67.6
Taxation payable	28.3	19.0
	<u>99.2</u>	<u>86.6</u>
Net current assets	<u>1,670.4</u>	<u>1,705.7</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>3,878.3</u>	<u>3,669.3</u>
Equity		
Share capital	157.5	157.5
Reserves	3,540.9	3,348.1
	<u>3,698.4</u>	<u>3,505.6</u>
Non-current liabilities		
Deferred income	2.6	5.2
Deferred taxation	177.3	158.5
	<u>179.9</u>	<u>163.7</u>
TOTAL EQUITY AND NON-CURRENT LIABILITIES	<u>3,878.3</u>	<u>3,669.3</u>

NOTES TO THE ACCOUNTS

(1) Revenue and operating profit

(a) Segment information

Analysis of the Group's segment revenue and segment result by business segments and geographical segments for the six months ended 30th June, 2005 is as follows:

(i) Business segments

	Hotel and restaurants		Property		Investments		Total	
	30/6/2005	30/6/2004	30/6/2005	30/6/2004	30/6/2005	30/6/2004	30/6/2005	30/6/2004
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million	Million	Million	Million	Million
Segment revenue	173.3	154.7	30.8	35.6	27.9	19.6	232.0	209.9
Segment results	56.7	47.6	25.5	31.0	27.0	21.1	109.2	99.7
Increase in fair value of investment property	-	-	104.8	-	-	-	104.8	-
Non-operating items	-	-	-	-	2.9	7.5	2.9	7.5
Share of profits less losses of associates	-	-	13.3	47.1	1.2	-	14.5	47.1
Profit before taxation							231.4	154.3
Taxation							(33.5)	(21.6)
Profit attributable to shareholders							197.9	132.7

(ii) Geographical segments

	Segment revenue		Segment results	
	30/6/2005	30/6/2004	30/6/2005	30/6/2004
	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million
Hong Kong	218.2	198.8	95.4	88.6
Singapore	13.8	11.1	13.8	11.1
	232.0	209.9	109.2	99.7

No inter-segment revenue was recorded during the period.

(b) Operating profit is arrived at after charging:

	30/6/2005	30/6/2004
	HK\$	HK\$
	Million	Million
Cost of inventories sold	13.2	13.2
Interest income on bank deposits	13.2	0.2
Dividend income from listed investments	14.6	19.4

(2) **Non-operating items**

	30/6/2005	30/6/2004
	HK\$	HK\$
	Million	Million
Release of deferred income	2.9	17.3
Loss on disposal of long term investments	-	(9.8)
	2.9	7.5

(3) **Taxation**

Hong Kong profits tax has been provided at the rate of 17.5 per cent on the estimated assessable profits for the period.

	30/6/2005	30/6/2004
	HK\$	HK\$
	Million	Million
Current taxation		
Provision for Hong Kong profits tax for the period	12.6	15.7
Deferred taxation		
Origination and reversal of temporary differences	0.5	0.2
Revaluation surplus in respect of investment property	18.3	-
	18.8	0.2
Share of associates' Hong Kong profits tax	2.1	5.7
Total tax charge	33.5	21.6

(4) **Earnings per share**

The calculation of earnings per share is based on the profit for the period of HK\$197.9 million (2004 restated : HK\$132.7 million) and on 315.0 million (2004: 315.0 million) ordinary shares in issue during the period. For the period under review and the preceding comparative period, there is no difference between the basic and diluted earnings per share.

(5) **Change in accounting policies**

The accounting policies used in preparation of the interim financial report under review are consistent with those adopted in the annual report and financial statements for the year ended 31st December, 2004, except those changes following the Group's adoption of the new and revised Hong Kong Financial Reporting Standards, including The Hong Kong Accounting Standards ("HKASs") and relevant Interpretations ("HKAS-INTs" and "HK-INTs") which took effect on 1st

January, 2005. The changes in accounting policies that with significant impacts on the account are summarised as follows:

Hong Kong Accounting Standard (“HKAS”) 40 “Investment property”

In prior years, investment property was stated at fair value and its surpluses on revaluation were credited to the investment property revaluation reserve. Deficits arising on revaluation were set off against previous revaluation surpluses and thereafter charged to profit and loss account. Revaluation was only done as at the financial year-end date.

With effect from 1st January, 2005, on adoption of HKAS 40, the Group’s investment property is stated at fair value with all the changes in fair value reported in the consolidated profit and loss account. This new accounting policy has been applied retrospectively. Revenue reserve as at 1st January, 2005 and 1st January, 2004 were restated and increased by HK\$823.3 million and HK\$674.6 million, respectively, which represented the transfer from investment property revaluation reserve. Such transfer has no effect on the Group’s shareholders’ equity. The effect of the change in revaluation surplus credited to the consolidated profit and loss account for the period ended 30th June, 2005 is HK\$104.8 million.

HKAS – INT 21 “Income taxes – recovery of revalued non-depreciable assets”

In previous years, no deferred taxation was recognised on revaluation changes of the Group’s investment property on the basis that the recovery of the carrying amount of the investment property would be through sales and such deferred taxation should be calculated at the tax rate applicable on eventual sale, which is nil in Hong Kong.

With effect from 1st January, 2005, HKAS-INT 21 requires deferred taxation to be recognised on any revaluation changes on investment property on the basis that the recovery of the carrying amount of the investment property would be through use and be calculated at the applicable profits tax rate and charged to profit and loss account. This new accounting policy has been applied retrospectively. The shareholders’ equity as at 1st January, 2005 and 1st January, 2004 were restated and decreased by HK\$144.1 million and HK\$118.1 million respectively. The adjustments represent deferred tax liabilities on the revaluation on the Group’s investment property. The change has increased deferred tax charge of HK\$18.3 million for the period ended 30th June, 2005.

HK - INT 2 “The appropriate accounting policies for hotel properties” and HKAS 17 “Leases”

In prior years, the Group’s hotel property was stated at fair value based on an annual professional valuation. No depreciation was provided on the hotel property on the

basis that it was maintained in a continuous state of sound repair such that, given the estimated life of the hotel property and its residual value, any depreciation was immaterial.

With effect from 1st January, 2005, on adoption of HK-INT 2 and HKAS17, the Group's leasehold land and building of the hotel property is split into a lease of land and a lease of building in proportion to the relative fair values of the interest in the land and the building elements at the inception of the lease. The leasehold land is stated at cost and is amortised over the period of the lease on a straight-line basis whereas the building is stated at cost less accumulated depreciation and impairment. These new accounting policies have been applied retrospectively. The shareholders' equity as at 1st January, 2005 and 1st January, 2004 were restated and decreased by HK\$1,813 million, which comprised hotel property revaluation reserve of HK\$1,756.9 million and revenue reserve of HK\$56.1 million, and HK\$1,644.3 million, which comprised hotel property revaluation reserve of HK\$1,589.9 million and revenue reserve of HK\$54.4 million, respectively. The change has increased depreciation charge to the consolidated profit and loss account for the period ended 30th June, 2005 by HK\$1.3 million (six months ended 30th June, 2004 as restated: HK\$0.9 million).

- (6) The unaudited interim accounts for the six months ended 30th June, 2005 have been reviewed with no disagreement by the audit committee of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Review of 2005 Interim Results

The unaudited Group's profit attributable to shareholders for the six months ended 30th June, 2005 amounted to HK\$197.9 million, representing an increase of HK\$65.2 million or 49.1% from HK\$132.7 million for the same period last year. Earnings per share were HK\$0.63 (2004 restated: HK\$0.42).

For the purpose of preparing the financial statements for the period under review, the Group has adopted the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), including all Hong Kong Accounting Standards ("HKASs") and relevant Interpretations ("HKAS-INTs" and "HK-INTs"), which took effect on 1st January, 2005. The resulting significant changes in accounting treatment and presentation are detailed in the above note 5 to the accounts.

Under the new HKFRSs, the Group revalued its investment property as at 30th June, 2005 and accounted for a net surplus after deferred tax of HK\$86.5 million in its profit and loss account for the period under review. No revaluation had been carried out for the same period last year. Excluding this surplus, the profit for the half-year

under review would be HK\$111.4 million, a decrease of 16% against the comparable period. A decrease in profit contribution by HK\$33.8 million from sales of Sorrento units held through an associate was reported in the first half of 2005 though The Marco Polo Hongkong Hotel (“MPHK Hotel”) achieved improved results.

The Group’s turnover for the period under review was HK\$232.0 million, an increase by 10.5% from HK\$209.9 million achieved in the first half of 2004. Operating profit was HK\$109.2 million against HK\$99.7 million reported for the comparative period last year. These improvements were mainly attributable to the hotel operations.

Profit before taxation for the period under review included deferred interest income of HK\$2.9 million (2004: HK\$17.3 million), which was earned from a loan advanced to an associate undertaking the Sorrento project and recognised as in previous years on the basis of the sale progress of the project.

Share of profits of associates in the first half of 2005 was HK\$14.5 million, lowered from HK\$47.1 million for the same period last year. This was caused by the reduction in attributable profit by HK\$33.8 million from the Sorrento project as less residential units were sold during the period under review. As all Phase I units and over 98% Phase II units of Sorrento were sold by the end June 2005, profit contribution from this project would be insignificant in future periods.

The taxation charge for the period was HK\$33.5 million, compared to HK\$21.6 million recorded in the same period last year. Included in current period’s taxation charge was a deferred tax provision of HK\$18.3 million for the increment of investment property revaluation in accordance with the HKAS 12 “Income taxes” and HK-INT 21 “Income taxes – recovery of revalued non-depreciable assets”.

(II) Segmental Performance and Review of Operations

MPHK Hotel recorded steady occupancy levels and higher average room rates in 2005 in the period. Total revenue and operating profit of the Hotel Segment for the half year under review increased to HK\$173.3 million and HK\$56.7 million in 2005 compared to HK\$154.7 million and HK\$47.6 million in 2004, respectively.

With the opening of Disneyland in September 2005 and economic fundamentals remaining strong, the outlook for the hotel industry is encouraging.

The Property Segment revenue and operating profit were HK\$30.8 million and HK\$25.5 million in the first half of 2005, decreased from HK\$35.6 million and HK\$31.0 million in the same period of 2004, which was due to rental void for certain areas under renovation during the period.

The Group's investment property, the office and retail areas in MPM Hotel, were revalued by an independent valuer at 30th June, 2005, giving rise to a revaluation surplus of HK\$104.8 million for inclusion as a profit item for the period under review in accordance with the HKAS 40 "Investment property".

Superstructure work of the property development situated at Kennedy Town is in progress and completion is scheduled for August 2006. It is planned to market the development in the third quarter of 2005. For the development of Sorrento (Kowloon Station Package II development), in which the Group has a 20% interest, 98% of all units were sold as at 30th June, 2005.

Apart from the abovementioned matters, there have been no material changes in respect of the business of the Group since the publication of the last annual report of the Company.

(III) Liquidity and Financial Resources

At 30th June, 2005, the Group's shareholders' funds was HK\$3,698.4 million or HK\$11.74 per share based on the currently adopted HKFRSs.

In compliance with the new and revised HKFRSs, with effect from 1st January, 2005 retrospectively as detailed in the above note 5 to the accounts, the Group's shareholders' fund as at 31st December, 2004 has been restated to HK\$3,505.6 million or HK\$11.13 per share from HK\$5,462.7 million or HK\$17.34 per share respectively, decreased by HK\$1,957.1 million or HK\$6.21 per share.

As at 30th June, 2005, the Group had net cash of HK\$1,736.8 million, slightly decreased by HK\$0.7 million from HK\$1,737.5 million as at 31st December, 2004. The cash surpluses were mostly placed as bank deposits. In addition, the Group maintained a portfolio of investments with market value aggregating HK\$854.7 million at 30th June, 2005 (31st December, 2004: HK\$820.4 million), which primarily comprised blue chip securities. The performance of the portfolio was in line with the stock markets.

At the period end, the Group had no significant exposure to foreign exchange rate fluctuations.

(IV) Employees

The Group has approximately 457 employees working at the Group's hotel. Employees are remunerated according to nature of the job and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for six months ended 30th June,

2005 amounted to HK\$45.3 million (six months ended 30th June, 2004 : HK\$42.8 million).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial period under review, the Company has complied with all those code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited which became applicable to the Company in respect of the period under review, except for one code provision with respect to the roles of chairman and chief executive officer to be performed by different individuals.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

BOOK CLOSURE

The Register of Members will be closed from Wednesday, 28th September, 2005 to Tuesday, 4th October, 2005, 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, Tengis Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 27th September, 2005.

By Order of the Board
Wilson W. S. Chan
Secretary

Hong Kong, 10th August, 2005

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Gonzaga W. J. Li and Mr. T. Y. Ng, and three independent non-executive Directors, namely, Mr. Brian S. Forsgate, Mr. H. M. V. de Lacy Staunton and Mr. Man Kou Tan.

“Please also refer to the published version of this announcement in South China Morning Post and Hong Kong Economic Journal as of 11th August, 2005.”