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If you have sold or transferred all your shares in **Harbour Centre Development Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser(s) or the transferee(s).

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HARBOUR CENTRE DEVELOPMENT LIMITED

HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 51)

CONTINUING CONNECTED TRANSACTION

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



First Shanghai Capital Limited

A letter from the Board of Harbour Centre Development Limited is set out on pages 3 to 7 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders of the Company is set out on pages 8 to 9 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders of the Company is set out on pages 10 to 16 of this circular.

A notice convening an extraordinary general meeting of Harbour Centre Development Limited to be held at the Centenary Room, Ground Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong, on Wednesday, 30 December 2009 at 10:30 a.m. is set out on pages 21 to 23 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the registered office of Harbour Centre Development Limited at 16th Floor, Ocean Centre, Harbour City, Canton Road, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting of Harbour Centre Development Limited or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting of Harbour Centre Development Limited or any adjournment thereof should you so desire.

7 December 2009

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated 16 November 2009 in relation to the Continuing Connected Transaction
“Associate(s)”	shall have the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cap Amounts”	the cap amounts for the aggregate fees payable to MPHML for each of the three years ending 31 December 2012, being HK\$35.2 million, HK\$44 million and HK\$43.5 million, which are stipulated in the MOA
“Company” or “HCDL”	Harbour Centre Development Limited
“Continuing Connected Transaction”	the continuing connected transaction contemplated under the MOA including the Cap Amounts and the provision of services by MPHML including supervising, directing, managing and controlling the operation of the Hotel
“Directors”	directors of the Company
“Effective Date”	1 January 2010, being the date on which the Re-appointment becomes effective, subject to the condition of the MOA being fulfilled
“EGM”	the extraordinary general meeting of the Company to be held at the Centenary Room, Ground Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong, on Wednesday, 30 December 2009 at 10:30 a.m. to approve the Continuing Connected Transaction including the Cap Amounts, notice of which is set out on pages 21 to 23 of this circular
“Existing Agreement”	the existing operations agreement dated 2 April 2007 signed between HHL and MPHML for a three-year period in respect of the management and supervision of the Hotel’s operations by MPHML, which will expire on 31 December 2009
“GOP”	the gross operating profit of the Hotel in a relevant fiscal year
“Group” or “HCDL Group”	HCDL and its subsidiaries
“HHL”	The Hongkong Hotel Limited, a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hotel”	Marco Polo Hongkong Hotel, which is owned by HHL
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, established to advise the Independent Shareholders of the Company in relation to the Continuing Connected Transaction including the Cap Amounts
“Independent Financial Adviser”	First Shanghai Capital Limited, the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders of the Company in relation to the Continuing Connected Transaction including the Cap Amounts
“Independent Shareholders”	has the meaning as ascribed to it under the Listing Rules
“Latest Practicable Date”	30 November 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“MOA”	the memorandum of addendum signed on 16 November 2009 between HHL and MPHML in relation to the Re-appointment
“MPHML”	Marco Polo Hotels Management Limited, a wholly-owned subsidiary of Wharf
“PRC”	the People’s Republic of China
“Re-appointment”	the re-appointment of MPHML by HHL as the Hotel’s manager to manage and supervise the Hotel’s operations for a further term of three years under the MOA
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Shares
“Share(s)”	shares of HK\$0.50 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	a three-year period from 1 January 2010 to 31 December 2012
“Wharf”	The Wharf (Holdings) Limited
“Wharf Group”	Wharf and its subsidiaries

LETTER FROM THE BOARD



HARBOUR CENTRE DEVELOPMENT LIMITED

HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 51)

Directors:

Stephen T. H. Ng (*Chairman*)

T. Y. Ng

Paul Y. C. Tsui

H. M. V. de Lacy Staunton*

Michael T. P. Sze*

Brian S. K. Tang*

Registered Office:

16th Floor, Ocean Centre,
Harbour City, Canton Road,
Kowloon,
Hong Kong

(Independent Non-executive Directors)*

7 December 2009

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the Announcement in relation to the Continuing Connected Transaction. On 16 November 2009, HHL, a wholly-owned subsidiary of the Company, and MPHML, a wholly-owned subsidiary of Wharf, entered into the MOA whereby MPHML was re-appointed as the manager of the Hotel to supervise, direct, manage and control the operations of the Hotel.

MPHML is actively engaged in the business of hotels' management and operation throughout the Asia Pacific region. The Hotel has been under the management of MPHML or other hotel management subsidiary(ies) of the Wharf Group since 1986. The Existing Agreement, under which MPHML was appointed as the Hotel's manager for a term of 3 years, will expire on 31 December 2009. Under the MOA, the parties have agreed to renew the appointment of MPHML as the manager of the Hotel for a further term of three years from the Effective Date, and the terms and conditions of the Re-appointment would be substantially the same as those of the Existing Agreement.

LETTER FROM THE BOARD

DETAILS OF THE RE-APPOINTMENT

- Signing date: 16 November 2009
- Parties: HHL as the owner of the Hotel and MPHML as the manager and operator of the Hotel.
- Duration: The Term shall commence from the Effective Date, being 1 January 2010, and shall be for a three-year period upon fulfilment of the condition set out below.
- Condition: The Re-appointment is conditional upon the Independent Shareholders of the Company having approved the relevant terms and conditions and the transactions contemplated in connection with the MOA (including the Cap Amounts, as defined below) at a duly convened EGM as required by the Listing Rules.
- Fees: As part of the Re-appointment's terms, MPHML is entitled to the following fees:
- (1) Basic management fee - a basic management fee of 2% of the Hotel's gross revenue during the Term payable once every month, calculated on the basis of the Hotel's preceding month's profit and loss account.
 - (2) Incentive fee - a certain percentage of the GOP of the Hotel payable once every month, calculated on the basis of a sliding scale from 0% to 9.5%, subject to the Hotel's profit margin falling within a certain agreed level during the Term as follows:

Hotel's profit margin	% of GOP
0% to less than 10%	0%
10% to less than 25%	3%
25% to less than 30%	5%
30% to less than 35%	6%
35% to less than 40%	7%
40% to less than 45%	8%
45% or above	9.5%

LETTER FROM THE BOARD

- (3) Marketing fee: 1.5% of the Hotel's gross revenue during the Term payable once every month, calculated on the basis of the Hotel's preceding month's profit and loss account.
- (4) Project management fee - under the MOA, the parties proposed and agreed to include the project management fee which is chargeable by MPHML for its management and supervision of any ad hoc projects in connection with the Hotel's business or operations such as repair, maintenance and renovation work. Such project management fee is only payable on a project basis, and is equal to 4% of the costs and expenses actually incurred for the projects.

The bases upon which the above fees are determined are substantially similar to those under the Existing Agreement and are no less favourable to HHL than those available from independent third parties.

Cap amounts:

The parties have agreed to adopt a cap amount for the aggregate fees for the Re-appointment for each of the three years ending 31 December 2012, as required by Rule 14A.35(2) of the Listing Rules. The proposed cap amount for each of the three years ending 31 December 2012 shall be HK\$35.2 million, HK\$44 million and HK\$43.5 million, respectively, which are in line with a performance projection of the Hotel and represents the maximum possible amount of fees expected to be payable with reference to the historic trading records of the Hotel, projected on the basis of the Hotel being under normal business operations and of the current economic sentiment, taking into account the possible return of slow but steady and sustainable economic growth in the next several years, plus a moderate cushion.

For the two years ended 31 December 2008, the aggregate fees paid under the Existing Agreement to MPHML by HHL amounted to approximately HK\$34.8 million and HK\$36.7 million. For the nine-month period ended 30 September 2009, the aggregate fees paid to MPHML by HHL amounted to HK\$16 million.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Directors (excluding the independent non-executive Directors who have opined on the Continuing Connected Transaction together with the Cap Amounts after taking into account the advice received from the Independent Financial Adviser) believe that with MPHML being re-appointed as the Hotel's manager under the MOA, HHL may continue to benefit from MPHML's expertise in the operation, direction, management and supervision of the Hotel and are of the view that the terms of the Re-appointment are fair and reasonable, and on normal commercial terms and that the relevant transactions are therefore in the interests of the Company and its Shareholders as a whole, and there are no disadvantages of the Continuing Connected Transaction for the Company. Furthermore, the MOA was entered into in the ordinary and usual course of business of the Group after due negotiations on an arm's length basis with reference to the prevailing market conditions.

GENERAL

The principal business activities of the Group are ownership of hotels and properties and investment. The principal business activities of the Wharf Group are ownership of properties for development and letting, investment holding, container terminals as well as communications, media and entertainment.

REGULATORY ASPECTS

As the Company is a 70.37%-owned subsidiary of Wharf, the Re-appointment constitutes a continuing connected transaction for the Company under Rule 14A.34 of the Listing Rules.

Since one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of each of the Cap Amounts will exceed the 2.5% threshold under Rule 14A.34 of the Listing Rules, the Continuing Connected Transaction together with the Cap Amounts will be subject to the reporting and announcement requirements, and also subject to the approval of the Independent Shareholders of the Company by way of poll under Rule 14A.34 of the Listing Rules. An EGM will be held to consider and, if thought fit, pass an ordinary resolution to approve the Continuing Connected Transaction together with the Cap Amounts. Wharf and its Associates will abstain from voting on the resolution to be proposed at the EGM to approve the Continuing Connected Transaction together with the Cap Amounts. Particulars of the Continuing Connected Transaction will be disclosed in the annual report and financial statements of the Company for the three financial years ending 31 December 2012 in accordance with Rule 14A.46 of the Listing Rules.

The Independent Board Committee comprising the independent non-executive Directors has been established to consider the Continuing Connected Transaction together with the Cap Amounts and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders of the Company in respect of the terms of the Continuing Connected Transaction together with the Cap Amounts.

EGM

A notice convening the EGM to be held at the Centenary Room, Ground Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong, on Wednesday, 30 December 2009 at

LETTER FROM THE BOARD

10:30 a.m. is set out on pages 21 to 23 of this circular. At the EGM, an ordinary resolution will be proposed to approve the Continuing Connected Transaction including the Cap Amounts. As at the Latest Practicable Date, Wharf is interested in approximately 70.37% of the issued share capital of the Company and controls the voting right in respect of such shareholding in the Company. Wharf and its Associates will abstain from voting on the resolution to be proposed at the EGM to approve the Continuing Connected Transaction including the Cap Amounts. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder (other than Wharf) has a material interest in the Continuing Connected Transaction and is required to abstain from voting for the approval of the Continuing Connected Transaction.

Form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's registered office at 16th Floor, Ocean Centre, Harbour City, Canton Road, Kowloon, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM, or any adjournments thereof. Completion and return of the respective form of proxy will not preclude you from attending and voting in person at the EGM or any adjournments thereof should you so desire.

RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out in this circular which contains the recommendations of the Independent Board Committee to the Independent Shareholders of the Company on the terms of the Continuing Connected Transaction.

First Shanghai Capital Limited, the Independent Financial Adviser, considers that the Continuing Connected Transaction is on normal commercial terms and in the ordinary and usual course of business of the HCDL Group and the Cap Amounts are fair and reasonable. The Independent Financial Adviser further considers that the Continuing Connected Transaction is in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are of the view that the Continuing Connected Transaction is in the interest of the Company and the Shareholders and accordingly recommend the Independent Shareholders of the Company to vote in favour of the ordinary resolution to approve the Continuing Connected Transaction (including the Cap Amounts) at the EGM as set out in the notice of EGM on pages 21 to 23 of this circular.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix of this circular.

Yours faithfully,
Stephen T. H. Ng
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders of the Company prepared for incorporation in this circular.



HARBOUR CENTRE DEVELOPMENT LIMITED

HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 51)

7 December 2009

To the Independent Shareholders of the Company

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

We have been appointed as members of the Independent Board Committee to advise you in connection with the MOA and the Continuing Connected Transaction, details of which are set out in the “Letter from the Board” in the circular issued by the Company to its Shareholders dated 7 December 2009 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular have the same meanings when used in this letter unless the context otherwise requires.

Your attention is drawn to the “Letter from the Board”, the advice of the Independent Financial Adviser in its capacity as the independent financial adviser to the Independent Shareholders of the Company and the Independent Board Committee in respect of the MOA and the Continuing Connected Transaction as set out in the “Letter from the Independent Financial Adviser” as well as other additional information set out in other parts of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation thereto as stated in its letter, we consider that the Continuing Connected Transaction is on normal commercial terms and in the ordinary and usual course of business of the HCDL Group and the Cap Amounts are fair and reasonable. We further consider that the Continuing Connected Transaction is in the interest of the Company and Shareholders as a whole. Accordingly, we recommend the Independent Shareholders of the Company to vote in favour of the ordinary resolution as set out in the notice of EGM in respect of the MOA and the Continuing Connected Transaction on pages 21 to 23 of the Circular.

Yours faithfully,
Independent Board Committee of
Harbour Centre Development Limited

H. M. V. de Lacy Staunton
Independent non-executive Director

Michael T. P. Sze
Independent non-executive Director

Brian S. K. Tang
Independent non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders of the Company in relation to the Continuing Connected Transaction together with the Cap Amounts which has been prepared for the purpose of inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

7 December 2009

To the Independent Board Committee and the Independent Shareholders of the Company

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders of the Company on the Continuing Connected Transaction together with the Cap Amounts, details of which are set out in the circular of the Company to the Shareholders dated 7 December 2009 (the “Circular”) of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

Reference is made to the circular of the Company dated 23 April 2007 (the “Previous Circular”) in relation to the appointment of MPHML as the Hotel’s manager for a term of three years ending 31 December 2009 under the Existing Agreement, which was approved by the then independent Shareholders on 9 May 2007. As the Existing Agreement will expire on 31 December 2009, HHL, the owner of the Hotel and a wholly-owned subsidiary of the Company, and MPHML, a wholly-owned subsidiary of Wharf, entered into the MOA pursuant to which MPHML was re-appointed as the manager of the Hotel for a three-year period commencing from the Effective Date to supervise, direct, manage and control the operations of the Hotel. As the Company is a 70.37%-owned subsidiary of Wharf, MPHML is a connected person of the Company (as defined in the Listing Rules) and the transaction contemplated under the MOA (including the Cap Amounts) constitutes a non-exempt continuing connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

The Independent Board Committee, comprising the independent non-executive Directors, namely Mr. H. M. V. de Lacy Staunton, Mr. Michael T. P. Sze and Mr. Brian S. K. Tang, has been established

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to advise the Independent Shareholders of the Company on the Continuing Connected Transaction together with the Cap Amounts. We, First Shanghai Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders of the Company in this regard.

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the management of the Group were true at the time they were made and continued to be true up to the time of the holding of the EGM. We have reviewed a letter dated 5 October 2009 (the “Horwath Letter”) addressed to the president of the Hotel from Horwath Hotel, Tourism and Leisure (“Horwath”), the management consulting division of Horwath International specializing in hotel, tourism and leisure industries, on the fee structure proposed under the MOA. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion, we have considered the following principal factors and reasons:

1. Background to and reasons for the Continuing Connected Transaction

The Group is principally engaged in the ownership of hotels and properties and investment. HHL, a wholly-owned subsidiary of the Company, owns the Hotel which has been under the management of MPHML or other hotel management subsidiary(ies) of the Wharf Group since 1986. The Existing Agreement is for a term of three years expiring on 31 December 2009, details of which are contained in the Previous Circular.

As advised by the management of the Group, the average occupancy rate of the Hotel was approximately 87.6%, 84% and 74.9% for each of the two years ended 31 December 2008 and the six months ended 30 June 2009 respectively, during which the Hotel was under the management of MPHML pursuant to the Existing Agreement. According to the reports prepared by the Hong Kong Tourism Board (“HKTB”), the average occupancy rate for hotels classified as High Tariff A in Hong Kong was 84%, 79% and 68% respectively for each of the two years ended 31 December 2008 and the six months ended 30 June 2009. We are advised that the decrease in the average occupancy rate of the Hotel for the six months ended 30 June 2009 was mainly attributable to the outbreak of human swine

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

influenza and the global economic downturn. Despite the challenging operating environment for the two years ended 31 December 2008 and the six months ended 30 June 2009, the Board considers that HHL may continue to benefit from MPHML's expertise in the operation, direction, management and supervision of the Hotel and accordingly, entered into the MOA for the Re-appointment.

Having considered that (i) the Hotel has been under the management of MPHML or other hotel management subsidiary(ies) of the Wharf Group since 1986; and (ii) the MOA allows the Group to benefit continuously from MPHML's expertise in hotel management, we are of the view that the entering into of the MOA and the Re-appointment are in the interests of the Company and the Shareholders as a whole.

2. Major terms of the Re-appointment

Pursuant to the MOA, the terms of the Re-appointment are substantially the same as those in the Existing Agreement, with exception that (i) the Re-appointment (including the Cap Amounts) is conditional upon the approval of the Independent Shareholders at the EGM; and (ii) a project management fee (the "Project Management Fee") is chargeable by MPHML for its management and supervision of any ad hoc projects in connection with the Hotel's business or operations such as repair, maintenance and renovation work.

Details of the major terms of the Re-appointment are set out in the letter from the Board in the Circular. The fee structure in respect of the fees payable to MPHML for the three-year period commencing from the Effective Date under the MOA are summarized as below:

- (i) Basic management fee: 2% of the Hotel's gross revenue.
- (ii) Incentive fee: a certain percentage of the GOP calculated on the basis of a sliding scale from 0% to 9.5%, subject to the Hotel's profit margin falling within a certain agreed level as follows:

Hotel's profit margin	% of GOP
0% to less than 10%	0%
10% to less than 25%	3%
25% to less than 30%	5%
30% to less than 35%	6%
35% to less than 40%	7%
40% to less than 45%	8%
45% or above	9.5%

For the year ended 31 December 2008 and the six months ended 30 June 2009, the Hotel's profit margins were approximately 53% and 40% respectively.

- (iii) Marketing fee: 1.5% of the Hotel's gross revenue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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|------|-------------------------|---|
| (iv) | Project Management Fee: | 4% of the costs and expenses actually incurred for any ad hoc projects in connection with the Hotel's business or operations. |
|------|-------------------------|---|

3. Evaluation of the fee structure

(i) *Basic management fee, incentive fee and marketing fee*

The Hotel has commissioned Horwath which is the management consulting division of Horwath International specializing in hotel, tourism and leisure industries as a third party expert to opine on whether the fee structure under the MOA is appropriate for international standard full services hotels in Hong Kong market.

The findings in the Horwath Letter are summarized as follows:

- (a) the basic management fee under the MOA is generally around the middle of the range of the fees charged by other groups;
- (b) the incentive fee under the MOA is generally around the middle of the range of the fees charged by other groups; and
- (c) the marketing fee under the MOA is near the middle of the range of the fees charged by other groups.

To evaluate the findings in the Horwath Letter, we have discussed with Horwath and understood that when performing the analysis, Horwath has considered first offers (the "Comparable Offers") made in a competitive bid process by six international hotel management companies for a 5/4-star hotel operating opportunity in Hong Kong (which is comparable to the Hotel) in the last 24 months and compared the fee structure with that under the MOA. We are advised that project management fee has not been included in the Comparable Offers. We are also advised that basic management fee, incentive fee and marketing fee are commonly charged for hotel management companies.

(ii) *Project Management Fee*

Pursuant to the terms of the Existing Agreement, HHL has to pay MPHML all reasonable expenses at cost incurred by MPHML during the term to ensure, among others, (i) proper renovating, equipping and supplying of the Hotel; and (ii) the maintenance of the physical conditions and appearance of the Hotel. We are advised that the Hotel is expected to have major renovation projects during the three years ending 31 December 2012. Accordingly, pursuant to the terms of the MOA, after arm's length negotiation, HHL agreed to engage MPHML during the term of the MOA in undertaking, supervising and managing projects on an ad hoc basis for better furtherance of the Hotel's operations and business, including but not limited to, repair, maintenance and renovation work of the Hotel. MPHML is entitled to charge the Project Management Fee equal to 4% of the relevant project costs and expenses actually incurred.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In arriving at the Project Management Fee, HHL has made reference to historical costs paid to MPHML for renovation and maintenance projects of the Hotel pursuant to the terms of the Existing Agreement over the past few years. Given the expected size of the renovation projects to be carried out during the three years ending 31 December 2012, HHL considers that it would be more efficient to control the total costs of the renovation projects and more cost efficient to the Group to pay MPHML in the form of the Project Management Fee as a fixed percentage of the total renovation costs incurred instead of reimbursing all expenses incurred by MPHML which would be out of the control of HHL. In this regard, we have reviewed the historical costs paid to MPHML for renovation and maintenance projects of the Hotel since 2005, which was the relevant expenses incurred by MPHML for renovation and maintenance projects of the Hotel. We noted that it was approximately 4% as a percentage to the total costs of the renovation and maintenance projects performed since 2005, which is in line with the Project Management Fee of 4%. Having considered that the Project Management Fee as a fixed percentage to the total renovation costs incurred would limit the fee payable to MPHML and such percentage is in line with the historical expenses incurred by MPHML for renovation and maintenance projects of the Hotel as a percentage to the total costs of the renovation and maintenance projects, we consider the Project Management Fee is fair and reasonable.

(iii) Other public information

In addition to the Horwath Letter, we have reviewed companies listed on the Stock Exchange which had entered into hotel management agreement for hotels in Hong Kong since November 2007 and have identified a company, namely Paliburg Holdings Limited, who made an announcement in relation to a hotel management agreement which would be entered into in relation to the management of a hotel in Hong Kong. However, since the subject hotel only has 50 rooms which is of a smaller scale compared with the Hotel, we consider that this case may not be an appropriate comparison with the Continuing Connected Transaction.

Given (i) the findings set out in the Horwath Letter (which was prepared by a third party expert in the hotel, tourism and leisure industries) showed that the basic management fee, the incentive fee and the marketing fee under the MOA are market practice; and (ii) the Project Management Fee is in line with the historical expenses incurred by MPHML for renovation and maintenance projects of the Hotel as a percentage to the total costs of the renovation and maintenance projects, and it would be more efficient for the Hotel to control the total costs of the renovation projects, we consider that the terms of the MOA are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. The Cap Amounts

According to the terms of the MOA, the Cap Amounts for the three years ending 31 December 2012 shall be HK\$35.2 million, HK\$44.0 million and HK\$43.5 million respectively. To evaluate the Cap Amounts for the three years ending 31 December 2012, we have reviewed and discussed with the management of the Group the performance projection of the Hotel for the three years ending 31 December 2012 and understood that the Cap Amounts are determined after taking into account:

- (i) the projected gross revenue of the Hotel for the three years ending 31 December 2012 which expected that the average occupancy rate and the average room rate of the Hotel for the three years ending 31 December 2012 would return to the levels during the two years ended 31 December 2008, and other revenue of the Hotel for the three years ending 31 December 2012 would be at around the same level as that of the year ended 31 December 2008 after taking into account the possible return of slow but steady and sustainable economic growth in the next several years;
- (ii) the estimated GOP for the three years ending 31 December 2012 which would return gradually and closer to the level for the two years ended 31 December 2008; and
- (iii) the expected Project Management Fee for the three years ending 31 December 2012 taking into account the Hotel's plan and budget for renovation projects expected to be carried out during the three years ending 31 December 2012.

In assessing the Cap Amounts, we have reviewed the fees paid under the Existing Agreement for the two years ended 31 December 2008 and the nine months ended 30 September 2009 and the respective average occupancy rate, the average room rate, other revenue and GOP of the Hotel during the respective year/period. We noted that the estimations of the average occupancy rate, average room rate, other revenue and GOP of the Hotel for the year ending 31 December 2009 are expected to decrease as compared with the same for the year ended 31 December 2008. We are advised that it is mainly attributable to the outbreak of human swine influenza and the global economic downturn which have affected the performance of the Hotel during the nine months ended 30 September 2009 where the Group expects that the economy would have slow but steady and sustainable growth in the next several years. In this regard, we have also reviewed a report prepared by HKTB and noted that the average hotel room occupancy rate for hotels classified as High Tariff A in Hong Kong has returned to approximately 73% in September 2009 from the lowest of approximately 60% in June 2009 which shows a trend of rebound.

In addition, we have also reviewed and discussed with the management of HHL the estimated total costs for the renovation projects expected to be carried out during the three years ending 31 December 2012 and noted that the estimated total project cost is determined with reference to the estimated cost of the mock up room, historical costs of the renovation and other maintenance projects carried out by the Hotel and the scales of the renovation projects expected to be carried out for the three years ending 31 December 2012. Since most of the renovation projects are expected to be finished before the year ending 31 December 2012, the Cap Amount for the year ending 31 December 2012 is smaller as compared with the previous year.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The management of the Group also advised that in order to provide flexibility and minimize administrative costs in obtaining approvals from the Independent Shareholders in the event that the total actual fee payable in any of the three years ending 31 December 2012 exceeds the Cap Amounts, a buffer of 20% of the estimated fees payable to MPHML under the MOA is included when determining the Cap Amounts. To cater for the cyclical nature of the hotel industry which is evident from the fluctuating average occupancy rate for hotels in Hong Kong during the past few years, and after considering the relative conservative performance projection of the Hotel for the three years ending 31 December 2012 which made reference to the possible return of slow but steady and sustainable economic growth in the next several years, we consider a buffer of 20% is acceptable.

Based on the above analysis, we are of the view that the Cap Amounts for the three years ending 31 December 2012 are reasonably determined.

RECOMMENDATION

Having taken into account the above principal factors, we consider that the Continuing Connected Transaction is on normal commercial terms and is in the ordinary and usual course of business of the Group and the Cap Amounts are fair and reasonable. We also consider that the Continuing Connected Transaction is in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves advise, the Independent Shareholders of the Company to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Continuing Connected Transaction together with the Cap Amounts.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Helen Zee

Managing Director

Fanny Lee

Executive Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests (all being long positions) of the Directors and chief executive (if any) of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

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

Except as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive (if any) of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial or trading position of the Company since 31 December 2008, being the date to which the latest published audited financial statements of the Company have been made up.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and their respective associates had any interests in a business, which competes or may compete with the business of the Group.

Three Directors of the Company, namely, Messrs. S. T. H. Ng, T. Y. Ng and P. Y. C. Tsui, being also directors of the Company's parent company, namely, Wharf, and/or subsidiaries of Wharf, are considered as having an interest in Wharf under Rule 8.10 of the Listing Rules.

Ownership of property for letting and ownership of hotels by wholly-owned subsidiaries of Wharf constitute competing business to the Group.

The commercial premises at Harbour City, being in the vicinity of the Hotel, owned by the Wharf Group for rental purposes are considered as competing with the commercial premises in the Hotel owned by the HCDL Group. In view of the Wharf Group's extensive experience and expertise in property letting and management, the HCDL Group has appointed a subsidiary of Wharf as the agent for the letting, reletting, management, licensing and re-licensing of the commercial premises in the Hotel. Two hotels, namely, The Gateway and The Prince, owned by wholly-owned subsidiaries of Wharf are also considered as competing businesses of the Hotel owned by the HCDL Group. In view of the Wharf Group's expertise and very good track record in the management and operation of hotels throughout the Asia Pacific region, the HCDL Group has signed the MOA to re-appoint MPHML, a wholly-owned subsidiary of Wharf, to act as manager for a term of three years commencing from 1 January 2010 to operate, direct, manage and supervise the Hotel (which is the subject matter of the MOA proposed to be approved by the Independent Shareholders of the Company under this circular). MPHML is also responsible for the operation of two hotels in Hong Kong, namely, The Gateway and The Prince, and some other hotels in the Asia Pacific region.

For safeguarding the interest of the HCDL Group, the independent non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the HCDL Group to ensure, inter alia, that the HCDL Group's hotel and property leasing and management business are and continue to be run on the basis that they are independent of, and at arm's length from, those of the Wharf Group.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there existed no service contract, nor there had been proposed any service contract to be, entered into between any Director with the Company or any of its subsidiaries which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors is materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the business of the Group.

DIRECTORS' INTERESTS IN ASSETS

None of the Director has any interest, direct or indirect, in any assets which has since 31 December 2008 (being the date to which the latest published audited financial statements of the Group were made up) up to the Latest Practicable Date, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

MATERIAL CONTRACTS

As at the Latest Practicable Date, except for (1) the underwriting agreement dated 5 February 2008 entered into between the Company and Wharf in relation to the 1-for-2 rights issue of the Company as announced by the Company in an announcement dated 5 February 2008, and (2) the underwriting agreement dated 2 April 2009 entered into between the Company and Wharf in relation to the 1-for-2 rights issue of the Company as announced by the Company in an announcement dated 2 April 2009, neither the Company nor any members of the Group had entered into any contract (not being contracts entered into in the ordinary course of business) within two years preceding the date of this circular which are or may be material.

QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given advice contained in this circular:

Name	Qualification
First Shanghai Capital Limited	A licensed corporation under the SFO to carry out type 6 (advising on corporate finance) regulated activity

First Shanghai Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear respectively.

EXPERT'S INTERESTS

As at the Latest Practicable Date, the Independent Financial Adviser:

- (a) had no direct or indirect interest in any asset which had since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up, been acquired or disposed of by, or leased to, any member of the Group, or was proposed to be acquired or disposed of by, or leased to, any member of the Group; and
- (b) was not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office in Hong Kong of the Company during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) up to and including the date of EGM:

- (a) the “Letter from the Board”, the text of which is set out on pages 3 to 7 of this circular;
- (b) the “Letter from the Independent Board Committee” as set out in this circular;
- (c) the “Letter from the Independent Financial Adviser” as set out in this circular;
- (d) each of the contracts set out under the paragraph headed “Material Contracts” in this appendix;
- (e) the written consent referred to in the paragraph headed “Qualification and Consent of Expert” in this Appendix;
- (f) the memorandum and articles of association of the Company;
- (g) the MOA; and
- (h) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



HARBOUR CENTRE DEVELOPMENT LIMITED

HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 51)

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“EGM”) of shareholders of Harbour Centre Development Limited (the “**Company**”) will be held at the Centenary Room, Ground Floor, The Marco Polo Hongkong Hotel, 3 Canton Road, Kowloon, Hong Kong, on Wednesday, 30 December 2009 at 10:30 a.m. for the purpose of transacting the following business:

ORDINARY RESOLUTION

“THAT

- (a) the memorandum of addendum (the “**MOA**”)(a copy of which, together with a copy of the existing operations agreement dated 2 April 2007 made between The Hongkong Hotel Limited and Marco Polo Hotels Management Limited in relation to the management and supervision of Marco Polo Hongkong Hotel’s operations, have been produced to the meeting and respectively marked “A” and “B” and both initialled by the Chairman of the meeting for identification purposes) dated 16 November 2009 made between The Hongkong Hotel Limited, a wholly-owned subsidiary of the Company, and Macro Polo Hotels Management Limited, a wholly-owned subsidiary of The Wharf (Holdings) Limited, in relation to the re-appointment of the latter as the manager of Macro Polo Hongkong Hotel, and the transactions contemplated thereunder or incidental to the MOA, including but not limited to the Cap Amounts (as defined in the Circular mentioned below), and all actions taken or to be taken by the Company and/or its subsidiaries pursuant to the MOA as more particularly described in the circular to the shareholders of the Company dated 7 December 2009 (the “**Circular**”, a copy of which has been produced to the meeting and marked “C” and initialled by the Chairman of the meeting for the purpose of identification) be and are hereby generally and unconditionally approved, ratified and confirmed; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) any one Director of the Company be and is hereby authorised for and on behalf of the Company to do all such acts and things, to sign and execute all such other documents, deeds, instruments and agreements and to take such steps as they may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the MOA or any of the transactions contemplated under the MOA and all other matters incidental thereto, including (without limitation) exercising or enforcing any right thereunder, and to agree to any amendment to any of the terms of any of the MOA which in the opinion of any Director of the Company is not of a material nature and is in the interests of the Company.”

By Order of the Board
Wilson W S Chan
Company Secretary

Hong Kong, 7 December 2009

Registered Office:

16th Floor, Ocean Centre,
Harbour City, Canton Road
Kowloon,
Hong Kong

Notes:

1. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders is present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company shall, in respect of such share, be entitled alone to vote in respect thereof.
2. A form of proxy for use at the meeting is enclosed with the circular to shareholders of the Company.
3. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint another person (who need not be a member of the Company) or his proxy to attend and, in the event of a poll, to vote in his stead. A member may appoint separate proxies to represent respectively such number of the shares held by him as may be specified in the instruments appointing them. In order to be valid, forms of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, must be deposited at the Company's registered office at 16th Floor, Ocean Centre, Harbour City, Canton Road, Kowloon, Hong Kong, not less than 48 hours before the time appointed for the holding of the EGM or adjourned meeting thereof.

NOTICE OF EXTRAORDINARY GENERAL MEETING

4. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM. If such member attends the EGM, however, his form of proxy will be deemed to have been revoked.
5. As at the date hereof, the board of Directors of the Company comprises Mr. Stephen T. H. Ng, Mr. T. Y. Ng and Mr. Paul Y. C. Tsui, together with three independent non-executive directors, namely, Mr. H. M. V. de Lacy Staunton, Mr. Michael T. P. Sze and Mr. Brian S. K. Tang.