



HARBOUR CENTRE DEVELOPMENT LIMITED

Stock Code: 51

Third Quarterly Results for the nine-month period ended 30 September 2007

GROUP RESULTS

The unaudited Group profit attributable to Shareholders for the nine months ended 30 September 2007 amounted to HK\$367.4 million, an increase of 7.7% as compared with HK\$341.0 million reported for the corresponding period last year. Earnings per share were HK\$1.17 (2006: HK\$1.08).

The Group's profit has included an investment property revaluation surplus, after related deferred tax, of HK\$85.5 million in the results. Excluding this net surplus, the profit for the period under review would have been HK\$281.9 million, an increase of 8.4% over the comparable period.

The Group's operating profit increased by 14.6% to HK\$270.9 million, principally attributable to steady growth of rental income from the retail areas of The Marco Polo Hongkong Hotel ("MPHK") and increase in investment return from the Investment Segment.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Review

Total revenue and operating profit of the Hotel Segment during the first 9 months of 2007 grew by 1.7% and 3.6% to HK\$297.4 million and HK\$98.3 million respectively versus a year earlier. The increase was principally due to slight improvement in hotel performance. Underpinned by strong demand for hotel rooms during trade fairs and exhibitions, an 8% growth in average room rate was recorded during the period, in spite of a slight drop of average occupancy to 86% from 88% the previous year.

Property Investment revenue and operating profit grew by 3.9% and 3.0% to HK\$90.3 million and HK\$78.1 million respectively. Favorable rental growth on the back of robust leasing market supported the growth in profit and revenue during the period. The retail space of MPHK was virtually fully let, while the Star House retail units were 62% leased during the period.

The Group's investment properties, comprising the office and retail areas in MPHK and the Star House units, were revalued by an independent valuer at 30 September 2007. Net revaluation surplus after deferred tax was HK\$85.5 million during the period (2006: HK\$80.9 million).

On property sale, all of the 73 residential units of the 60 Victoria Road project have been sold as at the end of September 2007.

New Acquisitions

The Group has been following with interest China's rapid economic development in recent years. With continuous year on year GDP growth, strong accumulation of wealth and high personal saving rates together with wide spreading of China's urbanisation, the Group believes property development in China offers tremendous good opportunities.

Besides its investment in MPHK and the Star House units, the Group has over the years built up ample financial resources including cash and listed securities totaling HK\$4.0 billion as at the end of September 2007 earmarked for other suitable property investment opportunities.

The Group initiated a new acquisition program by acquiring three excellent sites in the cities of Chongqing, Suzhou and Hangzhou through joint ventures during the nine-month period under review. These acquisitions were made through partnering with strong local property companies. The Group believes that these investments will broaden the asset and earnings base of, and will be beneficial to the Group and its shareholders as a whole. Brief descriptions of these three projects are as follows:

In September, the Group acquired, through public auction, a land lot in zone B of Jiangbei City (江北城) of Jiangbei District (江北區), Chongqing, through a joint-venture company for RMB 2.54 billion. The Group and the China Overseas Group will jointly develop the Land, on a 55:45 ownership basis. The land lot has a total site area of about one million square feet and offers a total floor area (including carpark) of 5.8 million square feet. It will be developed into

a high-end residential project.

Following the acquisition of the Chongqing site, the Group acquired through public auction two land parcels on Xinghu Jie (星湖街) and Xiandai Da Dao (現代大道) in Suzhou Industrial Park (蘇州園區) respectively for a total of RMB 3.073 billion, through a joint-venture company in early October 2007. The Group and Zhong Xin Suzhou Industrial will jointly develop the sites, on a 80:20 ownership basis. The parcels command a total site area of about 5,650,000 square feet and offer a total floor area (including carpark) of 16.8 million square feet. The sites are planned for commercial and residential developments. It is the current intention of the parties that approximately 86% of the area of the sites will be developed into residential properties for sales, with the remaining portion intended to be held for investment purposes. A skyscraper landmark which will be the tallest building in Suzhou will be built at the site of Xinghu Jie (星湖街).

In mid October 2007, the Group entered into an agreement with Greentown China Holdings Limited for the joint development of a land parcel in Hangzhou. The Group and Greentown China Holdings Limited will take respectively 40% and 60% stake in the joint-venture company. The site is superbly situated in the new Hangzhou Central Business District (錢江新城) of Shangcheng District (上城區), Hangzhou. The land parcel, at a total consideration of RMB 3.49 billion, boasts a total site area of about 906,913 square feet and offers a total floor area (including carpark) of 4 million square feet. It is planned for commercial and residential development.

Financial Review

(I) Review of results for the nine months ended 30 September 2007

Turnover

The Group's turnover for the nine months ended 30 September 2007 was HK\$489.3 million (2006: HK\$730.1 million). The decrease in turnover was due mainly to reduction in property sale during the period under review.

Hotel Segment recorded a total revenue of at HK\$297.4 million (2006: HK\$292.4 million), with only marginal growth of 1.7% as impacted by the closure of a restaurant in MPMK for renovation since November 2006. Whereas, room revenue managed to report a 5.5% year-on-year growth as higher room rates were achieved during the period under review.

Property investment revenue was up by 3.9% to HK\$90.3 million (2006: HK\$86.9 million) as retail rental income generated from MPMK's retail areas continued to grow steadily, but the increase was mitigated by the decrease in rental income from Star House units on the moving out of a major tenant.

Property Development Segment was down by 97.6% to HK\$6.7 million (2006: HK\$278.3 million) as 72 residential units at 60 Victoria Road were sold in 2006 with the remaining one unit sold during the period under review.

Investment Segment's interest and dividend income derived from the Group's surplus cash and investment increased by 30.9% to HK\$94.9 million (2006: HK\$72.5 million).

Operating Profit

The Group's consolidated operating profit rose by 14.6% or HK\$34.6 million to HK\$270.9 million (2006: HK\$236.3 million). The improvement was mainly attributable to the Investment Segment, which grew its operating profit by 31.2% to HK\$92.9 million, following the corresponding increase in revenue as mentioned above. Hotel and Property Investment segment also reported operating profit growth of 3.6% and 3.0% to HK\$98.3 million and HK\$78.1 million, respectively.

Other Items

Included in the Group's profit is other net income of HK\$39.1 million (2006: HK\$48.5 million), which mainly included profit of HK\$38.3 million on disposal of certain listed investments.

Share of Profits of an Associate

Share of profit of an associate in the nine months ended 30 September 2007 was HK\$4.0 million, increased by HK\$1.0 million in the same period last year. This was due primarily to the increase in attributable profit from the sales of the remaining car parks at Sorrento during the period.

Taxation

The taxation charge for the period increased by 11.8% to HK\$50.2 million (2006: HK\$44.9 million) simply as a result of the increase in operating profit during the period.

Profit Attributable to Shareholders

The unaudited Group's profit attributable to shareholders for the nine months ended 30 September 2007 amounted to HK\$367.4 million (2006: HK\$341.0 million), representing an increase of HK\$26.4 million or 7.7%. Earnings per share were HK\$1.17 (2006: HK\$1.08).

The Group's investment properties were revalued as at 30 September 2007, resulting in a net surplus after deferred tax of HK\$85.5 million (2006: HK\$80.9 million) recorded in the profit and loss account.

Excluding this net surplus, the profit for the period was HK\$281.9 million, representing an increase of 8.4% over the corresponding period in 2006. The favourable results were mainly due to the increase in dividend and interest income.

(II) Liquidity and Financial Resources

As at 30 September 2007, the Group's shareholders' equity was HK\$5,720.5 million, equivalent to HK\$18.16 per share (31 December 2006: HK\$15.17 per share).

As at 30 September, 2007, the Group had a net cash of HK\$297.9 million, decreased by 83.8% from HK\$1,840.2 million as at 31 December 2006. The decrease was mainly due to the cash outflow for the net purchase of listed investments, which amounted to HK\$1,528.7 million and land deposit of HK\$ 177.1 million on Chongqing project. The cash surplus was mostly placed as bank deposits. As at 30 September 2007, the Group also maintained a portfolio of investments primarily consisting of blue chip securities, with an aggregate market value of HK\$3,723.6 million (2006: HK\$1,490.0 million). The favourable performance of the portfolio was in line with the stock markets.

As at 30 September 2007, the Group had no significant exposure to foreign exchange rate fluctuations, apart from the future revenues and expenditures in respect of the newly acquired China projects, which will be denominated in RMB. RMB borrowings will be sourced to finance the development cost of the China projects apart from their land cost.

**UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007**

	Note	Unaudited 30/9/2007 HK\$ Million	Unaudited 30/9/2006 HK\$ Million
Turnover	2	489.3	730.1
Direct costs and operating expenses		(178.6)	(438.6)
Selling and marketing expenses		(17.1)	(35.8)
Depreciation and amortisation		(18.5)	(15.9)
Administrative and corporate expenses		(4.2)	(3.5)
Operating profit	3	270.9	236.3
Increase in fair value of investment properties		103.6	98.1
Other net income	4	39.1	48.5
		413.6	382.9
Share of profits less losses of an associate		4.0	3.0
Profit before taxation		417.6	385.9
Taxation	5(b)	(50.2)	(44.9)
Profit attributable to shareholders		367.4	341.0
Dividends attributable to the period			
Interim dividend declared during the period	6(a)	15.8	15.8
Earnings per share	7	HK\$1.17	HK\$1.08

**UNAUDITED CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2007**

	Note	Unaudited 30/9/2007 HK\$ Million	Audited 31/12/2006 HK\$ Million
Non-current assets			
Fixed assets			
Investment properties		1,767.0	1,663.0
Leasehold land		15.2	15.2
Other properties, plant and equipment		71.2	63.4
Interest in an associate		0.4	0.8
Available-for-sale investments		3,723.6	1,490.0
Long term receivables		2.1	3.1
Employee benefits		5.8	6.7
		<u>5,585.3</u>	<u>3,242.2</u>
Current assets			
Inventories		3.1	7.6
Deposit for property under development for sales		322.0	-
Trade and other receivables		92.3	78.8
Cash and cash equivalents		297.9	1,840.2
		<u>715.3</u>	<u>1,926.6</u>
Current liabilities			
Trade and other payables		142.9	140.5
Taxation payable		46.1	22.6
		<u>189.0</u>	<u>163.1</u>
Net current assets		<u>526.3</u>	<u>1,763.5</u>
Total assets less current liabilities		<u>6,111.6</u>	<u>5,005.7</u>
Non-current liabilities			
Deferred income		-	0.8
Deferred taxation		246.2	226.9
		<u>246.2</u>	<u>227.7</u>
NET ASSETS		<u>5,865.4</u>	<u>4,778.0</u>
Capital and reserves			
Share capital		157.5	157.5
Reserves		5,563.0	4,620.5
Shareholders' equity		<u>5,720.5</u>	<u>4,778.0</u>
Minority interests		<u>144.9</u>	<u>-</u>
TOTAL EQUITY		<u>5,865.4</u>	<u>4,778.0</u>

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The accounting policies adopted are consistent with those of the interim financial statements for the period ended 30 June 2007, as described in the interim financial statements for the period ended 30 June 2007.

2. SEGMENT INFORMATION

(a) Business segments

	Segment revenue		Segment results	
	30/9/2007	30/9/2006	30/9/2007	30/9/2006
	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million
Hotel and restaurants	297.4	292.4	98.3	94.9
Property investment	90.3	86.9	78.1	75.8
Property development	6.7	278.3	1.6	(5.2)
Investments	94.9	72.5	92.9	70.8
	489.3	730.1	270.9	236.3
Increase in fair value of investment properties			103.6	98.1
Other net income				
Investments			39.1	48.5
			413.6	382.9
Associate				
Property development			4.0	3.0
Profit before taxation			417.6	385.9

(b) Geographical segments

	Segment revenue		Segment results	
	30/9/2007	30/9/2006	30/9/2007	30/9/2006
	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million
Hong Kong	458.4	705.2	240.0	211.4
Singapore	30.9	24.9	30.9	24.9
	489.3	730.1	270.9	236.3

No inter-segment revenue has been recorded during the periods.

3. OPERATING PROFIT

	30/9/2007	30/9/2006
	HK\$	HK\$
	Million	Million
Operating profit is arrived at:		
After charging:		
Cost of inventories sold	21.6	281.5
Depreciation and amortisation	18.5	15.9
Staff costs including retirement scheme costs HK\$2.6 million (2006: HK\$4.3 million)	80.2	78.7
Auditors' remuneration	0.5	0.4
and crediting:		
Gross rental income from investment properties	79.6	73.7
Less: direct outgoings	(9.6)	(8.7)
	70.0	65.0
Interest income on bank deposits	47.8	42.8
Dividend income from listed investments	47.1	29.7

4. OTHER NET INCOME

	30/9/2007	30/9/2006
	HK\$	HK\$
	Million	Million
Release of deferred income	0.8	0.6
Profit on disposal of available-for-sale investments	38.3	47.9
	39.1	48.5

5. TAXATION

- (a) The provision for Hong Kong profits tax is based on the profit for the period as adjusted for tax purposes at the rate of 17.5% (2006: 17.5%).
- (b) Taxation in the consolidated profit and loss account represents:

	30/9/2007	30/9/2006
	HK\$	HK\$
	Million	Million
	<u> </u>	<u> </u>
Current taxation		
Provision for Hong Kong profits tax for the period	31.1	27.3
Overprovision in respect of prior years	(0.2)	(0.2)
	<u>30.9</u>	<u>27.1</u>
Deferred taxation		
Origination and reversal of temporary differences	1.2	0.6
Change in fair value of investment properties	18.1	17.2
	<u>19.3</u>	<u>17.8</u>
Total tax charge	<u>50.2</u>	<u>44.9</u>

- (c) Share of an associate's taxation for the nine months ended 30 September 2007 of HK\$0.8 million (2006: HK\$0.4 million) was included in the share of profits less losses of an associate.

6. DIVIDENDS

- (a) Dividends attributable to the period

	30/9/2007	30/9/2006
	HK\$	HK\$
	Million	Million
	<u> </u>	<u> </u>
Interim dividends declared during the period: 5.0 cents (2006: 5.0 cents)	<u>15.8</u>	<u>15.8</u>

- (b) Dividends attributable to the previous financial year, approved and paid during the period

	30/9/2007	30/9/2006
	HK\$	HK\$
	Million	Million
	<u> </u>	<u> </u>
Final dividend in respect of the previous financial year, approved and paid during the period, of 24.0 cents per share (2006: 12.0 cents per share)	<u>75.6</u>	<u>37.8</u>

7. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the period of HK\$367.4 million (2006: HK\$341.0 million) and on 315.0 million (2006: 315.0 million) ordinary shares in issue throughout the period ended 30 September 2007. For the period under review and the preceding comparative period, there is no difference between the basic and diluted earnings per share.

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

Hong Kong, 13 November 2007

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, together with three independent non-executive Directors, namely, Mr. H. M. V. de Lacy Staunton, Mr. Michael T. P. Sze and Mr. Man Kou Tan.