HARBOUR CENTRE DEVELOPMENT LIMITED
*(Incorporated in Hong Kong with limited liability)*
Stock Code: 51

# Interim Results Announcement
# for the half-year period ended 30 June 2023

# Office Value Deficits Overshadowed Partial Hotel Recovery

**HIGHLIGHTS**

- Post-pandemic recovery for Hotels was only partial albeit significant
- Realised profit for sold Development Properties ("DP") was also significant
- However, commercial DP in the Mainland were marked to market, with an attributable deficit of HK$349 million
- Investment Properties ("IP") in Hong Kong were also marked to market, with a surplus of HK$63 million

**GROUP RESULTS**

Underlying net loss amounted to HK$75 million (2022: HK$86 million). Inclusive of net surplus on revaluation of IP, Group loss attributable to equity shareholders was HK$12 million (2022: HK$136 million).

Basic loss per share was HK$0.02 (2022: HK$0.19).

**INTERIM DIVIDEND**

The Board of Directors (the "Board") has resolved not to declare any interim dividend for the half-year period ended 30 June 2023 (2022: Nil).

## BUSINESS REVIEW

Despite significant improvements in business conditions following the re-opening of borders, Hong Kong's retail and hotel sectors have experienced an underwhelming recovery so far. Factors such as limited international flight availability, logistics for renewal of travel documents, global economic slowdown and a strong local currency have dampened the potential for growth, resulting in a lack of momentum. For the first half of 2023, tourist visits to Hong Kong have recovered to only 37% and retail sales to 85% of pre-pandemic levels in 2019.

Though economic and social activities in Mainland China and Hong Kong have noticeably improved from 2022, it is prudent to stay alert to macro uncertainties, slowing economic growth prospects, and other challenges that could affect the Group's performance. Vigilance remains key as normalisation trends proceed at an uneven pace.

### Hong Kong

#### Hotels

The hotel industry in Hong Kong has seen positive development with higher occupancy and overall revenue since cross-border travel started to pick up again in January. Room rates at The Murray, Hong Kong, a Niccolo Hotel ("The Murray") and Marco Polo Hongkong Hotel ("MP Hong Kong") recovered to pre-pandemic levels in line with the market. However, recovery in occupancy is still only partial. Overall, recovery in the second quarter was lacklustre.

Adding to the complexity of the situation, the hospitality sector has been grappling with manpower shortages and inflation. These challenges have increased cost pressures and tightened profit margins, presenting significant obstacles for the industry, particularly if market recovery gains more momentum.

In recognition of their exceptional hospitality services, The Murray has earned the Five-Star award for the second year in a row at the 2023 Forbes Travel Guide ("FTG") Star Awards, and MP Hong Kong has once again been named a Recommended Hotel by FTG for the fourth consecutive year.

In addition, MP Hong Kong is named among initial participants of Global Hotel Alliance's Green Collection to highlight the hotels taking action to protect people and the planet.

#### Investment Properties

Tourist spending has been gradually recovering and benefitting the overall retail sector, despite the uneven pace. The Group's IP revenue and operating profit increased by 19% and 20%, respectively, supported by growth in tenant sales and improvement in spot rents.

### Mainland China

#### Hotels

Niccolo Suzhou, which opened in April 2021, was making rapid progress before being severely impacted by pandemic lockdowns in Suzhou and its main feeder market Shanghai in 2022. Market recovery in Suzhou in 2023 has been slower than in other cities. Same as MP Hong Kong, Niccolo Suzhou is listed in the Global Hotel Alliance's Green Collection in recognition of its sustainability efforts.

**Development Properties**
As a result of the weak market and slow-moving remaining stocks, a decline in revenue and an operating loss were reported. The Group's last two DP projects in the Mainland, at the 80%-owned Suzhou International Finance Square ("SZIFS") and 27%-owned Shanghai South Station project, are nearing completion but sale of the remaining unsold units may take some time. Attributable contracted sales in the first half of 2023 was RMB104 million. As at the end of June 2023, total remaining DP assets amounted to about RMB2.4 billion (equivalent to HK$2.6 billion) or about 15% of Group assets.

Against the backdrop of a lacklustre overall economy, the Mainland office property market has experienced further deterioration, including in first-tier cities like Shanghai. In view of weakness in the current market, particularly for commercial properties restricted to en bloc sale, attributable impairment provision totaling HK$349 million has been made.

## Financial Review

### (I) Review of 2023 Interim Results

Year-on-year comparisons need to take account of the Covid “5th Wave” in the first half of 2022.

Post-pandemic, Group underlying net loss narrowed to HK$75 million (2022: HK$86 million). Hotels segment returned to a profit of HK$4 million (2022: loss of HK$165 million) and IP profit improved by 2%. However, DP loss widened to HK$234 million (2022: HK$83 million) after attributable impairment provision of HK$349 million (2022: HK$64 million) made in the reporting period.

Including attributable net IP revaluation surplus of HK$63 million (2022: deficit of HK$50 million), the Group reported a net loss of HK$12 million (2022: HK$136 million) attributable to equity shareholders.

**Revenue and Operating Profit**

Group revenue increased by 25% to HK$673 million (2022: HK$538 million) and operating profit amounted to HK$183 million (2022: loss of HK$30 million).

Hotels revenue increased by 106% to HK$454 million (2022: HK$220 million) and operating profit improved to HK$15 million (2022: loss of HK$164 million). Hong Kong hotels revenue increased by 102% to HK$393 million (2022: HK$195 million) and operating profit was HK$18 million (2022: loss of HK$115 million) benefitting from the increased occupancy and room rate of MP Hong Kong and The Murray. Mainland revenue increased by 144% and operating loss reduced to HK$3 million (2022: HK$49 million) mainly from increased occupancy for Niccolo Suzhou and closure of Marco Polo Changzhou (“MP Changzhou”).

IP revenue increased by 19% to HK$121 million (2022: HK$102 million) and operating profit by 20% to HK$108 million (2022: HK$90 million) with higher retail rental income.

DP revenue decreased by 84% to HK$22 million (2022: HK$135 million) and reported an operating loss of HK$13 million (2022: HK$29 million) with lower sales recognition from SZIFS.

Investments operating profit, mainly from dividend income, was HK$72 million (2022: HK$74 million).

**IP Revaluation Change**

The Group’s IP were stated at fair value based on independent valuation as at 30 June 2023, resulting in a revaluation surplus of HK$63 million for the period (2022: deficit of HK$50 million). The attributable net IP revaluation surplus of HK$63 million (2022: deficit of HK$50 million) was credited to the consolidated income statement.

**Other Net Charge**

Other net charge amounted to HK$90 million (2022: HK$75 million) mainly representing impairment provision of HK$88 million (2022: HK$80 million) for Mainland DP projects (primarily SZIFS) held by subsidiaries.

**Finance Costs**

Net finance costs amounted to HK$21 million (2022: HK$20 million).

**Share of Results (after tax) of an Associate**

Attributable loss of an associate amounted to HK$146 million (2022: Nil) after impairment provision of HK$279 million on the Shanghai South Station joint-venture office and retail DP project.

**Income Tax**

Taxation charge for the period was HK$22 million (2022: credit of HK$16 million) primarily due to higher profit from MP Hong Kong.

**Loss Attributable to Equity Shareholders**

Group loss attributable to equity shareholders for the period was HK$12 million (2022: HK$136 million). Loss per share was HK$0.02 (2022: HK$0.19) based on 708.8 million ordinary shares in issue.

Underlying net loss (a performance indicator of the Group's major business segments and arrived at after excluding the attributable net IP revaluation surplus) attributable to equity shareholders are analysed as below:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2023** | 2022 |
| | **HK$ Million** | HK$ Million |
| **Underlying net loss** | **(75)** | (86) |
| Attributable net IP revaluation surplus/(deficit) | **63** | (50) |
| **Loss attributable to equity shareholders** | **(12)** | (136) |

## (II) Review of Financial Position, Liquidity, Resources and Commitments

### Shareholders' and Total Equity

As at 30 June 2023, shareholders' equity decreased by 3% to HK$14,717 million (31 December 2022: HK$15,128 million), equivalent to HK$20.76 (31 December 2022: HK$21.34) per share. The decrease was mainly attributable to Group loss, the deficit of HK$349 million arising from investment revaluation as well as exchange reserves deficit of HK$52 million on net Reminibi assets. Including non-controlling interests, the Group's total equity amounted to HK$14,895 million (31 December 2022: HK$15,334 million).

Hotel properties are stated at cost less accumulated depreciation and impairment provision in accordance with prevailing Hong Kong Financial Reporting Standards ("HKFRSs"). Restating hotel properties based on independent valuation as at 30 June 2023 would give rise to a revaluation surplus of HK$4,021 million and increase the Group's shareholders' equity as at 30 June 2023 to HK$18,738 million, equivalent to HK$26.44 per share.

### Assets and Liabilities

Total assets were reported at HK$17,856 million (31 December 2022: HK$18,849 million). Total business assets, excluding bank deposits and cash and deferred tax assets, amounted to HK$17,182 million (31 December 2022: HK$17,989 million).

Geographically, business assets in Hong Kong amounted to HK$13,018 million (31 December 2022: HK$13,241 million), representing 76% (31 December 2022: 74%) of total business assets. Mainland business assets decreased to HK$3,282 million (31 December 2022: HK$3,708 million), representing 19% (31 December 2022: 21%) of total business assets.

### Hotels

Hotel properties, at cost less depreciation, amounted to HK$6,463 million (31 December 2022: HK$6,572 million), which comprised The Murray (HK$5,785 million), MP Hong Kong (HK$22 million) and Niccolo Suzhou (HK$656 million).

### Investment Properties

IP amounted to HK$5,068 million (31 December 2022: HK$5,005 million), which comprised MP Hong Kong's commercial podium (HK$4,504 million) and Star House units (HK$564 million).

**Development Properties for Sale/Interests in an Associate and Joint Ventures**

Total DP amounted to HK$1,637 million (31 December 2022: HK$1,793 million), mainly for SZIFS and those undertaken through an associate and joint ventures amounting to HK$614 million (31 December 2022: HK$835 million).

In addition, the closed MP Changzhou is classified as non-current assets held for sale and carried at HK$311 million (31 December 2022: HK$322 million).

**Equity Investments**

Equity investments were marked to market at HK$2,843 million (31 December 2022: HK$3,192 million), including mainly blue-chip equity investment held for long term capital growth and dividend return. The value of the whole portfolio represented 16% (31 December 2022: 17%) of the Group's total assets and each investment within which was individually not material at less than 5% of the Group's total assets for risk diversification. Marking these investments to market produced a net deficit of HK$349 million (2022: HK$104 million) as reflected in the Other Comprehensive Income Statement.

The Group's investment portfolio analysed by industry sector and by geographical location as below:

| | **30 June 2023 HK$ Million** | 31 December 2022 HK$ Million |
|---|---|---|
| Analysed by industry sector: | | |
| - Properties | **2,373** | 2,677 |
| - Others | **470** | 515 |
| Total | **2,843** | 3,192 |
| | | |
| Analysed by geographical location: | | |
| - Hong Kong | **1,961** | 2,151 |
| - Overseas | **882** | 1,041 |
| Total | **2,843** | 3,192 |

**Pre-sale Deposits and Proceeds**

Pre-sale deposits and proceeds increased to HK$239 million (31 December 2022: HK$222 million) reflecting the DP pre-sale proceeds of SZIFS.

**Net Debt and Gearing**

At 30 June 2023, the Group had net debt of HK$293 million (31 December 2022: HK$464 million), consisting of HK$455 million in cash (mainly held in Mainland China) and HK$748 million in bank borrowings (mainly drawn in Hong Kong). Gearing remained low at 2% of total equity (31 December 2022: 3%).

**Finance and Availability of Facilities and Funds**

As at 30 June 2023, the Group's available loan facilities amounted to HK$2,323 million, of which HK$748 million were utilised. Certain banking facilities were secured by hotel and DP in the Mainland of RMB1,303 million (equivalent to HK$1,414 million) (31 December 2022: RMB1,318 million (equivalent to HK$1,476 million)).

The Group's debts were principally denominated in Hong Kong dollars ("HK$") and Renminbi ("RMB") at floating rates.

The use of derivative financial instruments is strictly controlled. Instruments entered into by the Group are mainly used for managing and hedging interest rate and currency exposures.

The Group continued to maintain a reasonable level of surplus cash denominated principally in HK$ and RMB to facilitate business and investment activities. As at 30 June 2023, the Group also held a portfolio of liquid listed equity investments with an aggregate market value of HK$2,843 million (31 December 2022: HK$3,192 million), which is available for use if necessary.

**Net Cash Flows for Operating and Investing Activities**

For the period under review, the Group recorded a net cash inflow in operating activities of HK$132 million (2022: outflow of HK$200 million) mainly attributable to SZIFS DP sales proceeds and decrease in construction payments. For investing activities, the Group generated a net cash inflow of HK$45 million (2022: HK$92 million) mainly for decrease in advance to Shanghai South Station DP project.

**Commitments to Capital and Development Expenditure**

As at 30 June 2023, major capital and development expenditure planned for the coming years totalled HK$0.7 billion which was mainly committed for DP.

The above expenditures will be funded by internal financial resources, including cash currently on hand, as well as bank loans. Other available resources include equity investments that can be liquidated when in need.

## (III) Human Resources

The Group had approximately 1,200 employees as at 30 June 2023. 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 2023 – Unaudited**

| | Note | **Six months ended 30 June** **2023** **HK$ Million** | 2022 HK$ Million |
|---|---|---|---|
| **Revenue** | 2 | **673** | 538 |
| Direct costs and operating expenses | | **(285)** | (334) |
| Selling and marketing expenses | | **(36)** | (42) |
| Administrative and corporate expenses | | **(66)** | (77) |
| Operating profit before depreciation, interest and tax | | **286** | 85 |
| Depreciation | | **(103)** | (115) |
| **Operating profit/(loss)** | 2 & 3 | **183** | (30) |
| Changes in fair value of investment properties | | **63** | (50) |
| Other net charge | 4 | **(90)** | (75) |
| | | **156** | (155) |
| Finance costs | 5 | **(21)** | (20) |
| Share of results after tax of an associate | | **(146)** | - |
| Loss before taxation | | **(11)** | (175) |
| Income tax | 6(a) | **(22)** | 16 |
| **Loss for the period** | | **(33)** | (159) |
| **Loss attributable to:** | | | |
| Equity shareholders | | **(12)** | (136) |
| Non-controlling interests | | **(21)** | (23) |
| | | **(33)** | (159) |
| **Loss per share** | 7 | | |
| Basic | | **(HK$0.02)** | (HK$0.19) |
| Diluted | | **(HK$0.02)** | (HK$0.19) |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**For the six months ended 30 June 2023 - Unaudited**

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **HK$ Million** | HK$ Million |
| **Loss for the period** | **(33)** | (159) |
| **Other comprehensive income** | | |
| **Items that will not be reclassified to profit or loss:** | | |
| Fair value changes on equity investments | **(349)** | (104) |
| **Items that may be reclassified subsequently to profit or loss:** | | |
| Exchange difference on translation of the operations | | |
| - subsidiaries | **(35)** | (115) |
| Share of reserves of an associate and joint ventures | **(24)** | (2) |
| **Others** | **2** | - |
| **Other comprehensive income for the period** | **(406)** | (221) |
| **Total comprehensive income for the period** | **(439)** | (380) |
| **Total comprehensive income attributable to:** | | |
| Equity shareholders | **(411)** | (344) |
| Non-controlling interests | **(28)** | (36) |
| | **(439)** | (380) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## At 30 June 2023 – Unaudited

| | Note | **30 June 2023 HK$ Million** | 31 December 2022 HK$ Million |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment properties | | **5,068** | 5,005 |
| Hotel properties, plant and equipment | | **6,547** | 6,655 |
| Interest in an associate | | **604** | 815 |
| Interest in joint ventures | | **10** | 20 |
| Equity investments | | **2,843** | 3,192 |
| Deferred tax assets | | **219** | 226 |
| Other non-current assets | | **31** | 32 |
| | | **15,322** | 15,945 |
| **Current assets** | | | |
| Properties for sale | | **1,637** | 1,793 |
| Inventories | | **8** | 8 |
| Trade and other receivables | 8 | **116** | 141 |
| Prepaid tax | | **7** | 6 |
| Bank deposits and cash | | **455** | 634 |
| | | **2,223** | 2,582 |
| Non-current assets classified as held for sale | | **311** | 322 |
| | | **2,534** | 2,904 |
| **Total assets** | | **17,856** | 18,849 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **(319)** | (326) |
| Bank loans | | **(559)** | (581) |
| | | **(878)** | (907) |
| **Current liabilities** | | | |
| Liabilities directly associated with the non-current assets classified as held for sale | | **(9)** | (9) |
| Trade and other payables | 9 | **(1,440)** | (1,668) |
| Pre-sale deposits and proceeds | | **(239)** | (222) |
| Taxation payable | | **(206)** | (192) |
| Bank loans | | **(189)** | (517) |
| | | **(2,083)** | (2,608) |
| **Total liabilities** | | **(2,961)** | (3,515) |
| **NET ASSETS** | | **14,895** | 15,334 |
| **Capital and reserves** | | | |
| Share capital | | **3,641** | 3,641 |
| Reserves | | **11,076** | 11,487 |
| **Shareholders' equity** | | **14,717** | 15,128 |
| **Non-controlling interests** | | **178** | 206 |
| **TOTAL EQUITY** | | **14,895** | 15,334 |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

### 1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

This unaudited interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 unaudited interim financial information in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2022. The unaudited interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies and methods of computation used in the preparation of the unaudited interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2022 except for the changes mentioned below.

With effect from 1 January 2023, the Group has adopted the below amendments which are relevant to the Group's consolidated financial statements:

| | |
|---|---|
| Amendments to HKAS 1 | Classification of liabilities as current or non-current |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of accounting policies |
| Amendments to HKAS 8 | Definition of accounting estimates |
| Amendments to HKAS 12 | Deferred tax related to assets and liabilities arising from a single transaction |

The Group has assessed the impact of the adoption of the above amendments 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.

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

The financial information relating to the financial year ended 31 December 2022 that is included in the unaudited interim financial information as comparative information does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined four reportable operating segments for measuring performance and allocating resources. The segments are hotels, investment properties, development properties and investments. No operating segment has been aggregated to form reportable segments.

Hotels segment represents the operations of The Murray, Hong Kong, a Niccolo Hotel, Marco Polo Hongkong Hotel and Niccolo Suzhou.

Investment properties segment primarily represents the property leasing of the Group's investment properties in Hong Kong.

Development properties segment encompasses activities relating to the acquisition, development and sales of trading properties primarily in Mainland China.

Investments segment represents equity investment in global capital markets. The performance of the portfolio is assessed and monitored by top management regularly.

Management evaluates performance based on operating profit as well as the equity share of results of an associate and joint ventures 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 as well as deferred tax assets.

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

**(a) Analysis of segment revenue and results**

| Six months ended | Revenue HK$ Million | Operating profit/(loss) HK$ Million | Changes in fair value of investment properties HK$ Million | Other net charge HK$ Million | Finance costs HK$ Million | Associate HK$ Million | Profit/(loss) before taxation HK$ Million |
|---|---|---|---|---|---|---|---|
| **30 June 2023** | | | | | | | |
| **Hotels** | **454** | **15** | **-** | **-** | **(5)** | **-** | **10** |
| **Investment properties** | **121** | **108** | **63** | **-** | **(9)** | **-** | **162** |
| **Development properties** | **22** | **(13)** | **-** | **(88)** | **(7)** | **(146)** | **(254)** |
| **Investments** | **72** | **72** | **-** | **-** | **-** | **-** | **72** |
| **Segment total** | **669** | **182** | **63** | **(88)** | **(21)** | **(146)** | **(10)** |
| **Others** | **4** | **1** | **-** | **(2)** | **-** | **-** | **(1)** |
| **Group total** | **673** | **183** | **63** | **(90)** | **(21)** | **(146)** | **(11)** |
| 30 June 2022 | | | | | | | |
| Hotels | 220 | (164) | - | - | (6) | - | (170) |
| Investment properties | 102 | 90 | (50) | - | (5) | - | 35 |
| Development properties | 135 | (29) | - | (80) | (9) | - | (118) |
| Investments | 74 | 74 | - | - | - | - | 74 |
| Segment total | 531 | (29) | (50) | (80) | (20) | - | (179) |
| Others | 7 | (1) | - | 5 | - | - | 4 |
| Group total | 538 | (30) | (50) | (75) | (20) | - | (175) |

(i) Substantially all depreciation was attributable to the hotels segment.
(ii) No inter-segment revenue has been recorded during the current and prior periods.

### (b) Disaggregation of revenue

| | Six months ended 30 June 2023 HK$ Million | 2022 HK$ Million |
|---|---|---|
| **Revenue recognised under HKFRS 15** | | |
| Hotels | **454** | 220 |
| Management and services income and other rental related income | **18** | 18 |
| Sale of development properties | **22** | 135 |
| | **494** | 373 |
| **Revenue recognised under other accounting standards** | | |
| Rental income under investment properties segment | | |
| - Fixed | **100** | 84 |
| - Variable | **3** | - |
| Investments | **72** | 74 |
| Others | **4** | 7 |
| | **179** | 165 |
| **Total revenue** | **673** | 538 |

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date to its:

- hotel operation as the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group's performance completed to date.

- property management fees and other rental related income as the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group's performance completed to date.

- sales of completed properties as the performance obligation is part of a contract that had an original expected duration of one year or less.

## 3. OPERATING PROFIT

**Operating profit is arrived at:**

| | Six months ended 30 June **2023** **HK$ Million** | 2022 HK$ Million |
|---|---|---|
| **After charging:** | | |
| Depreciation | **103** | 115 |
| Staff costs (Note i) | **192** | 159 |
| Cost of trading properties for recognised sales | **17** | 133 |
| Direct operating expenses of investment properties | **8** | 8 |
| **After crediting:** | | |
| Gross rental revenue from investment properties | **121** | 102 |
| Interest income | **4** | 7 |
| Dividend income from equity investments | **72** | 74 |
| Government grants (Note ii) | **-** | 16 |

Notes:

(i) Staff costs included defined contribution pension schemes costs HK$8 million (2022: HK$6 million), which included MPF schemes after a forfeited contribution of HK$Nil (2022: HK$1 million).

(ii) Government grants mainly included subsidy under the Employment Support Scheme in 2022.

## 4. OTHER NET CHARGE

Other net charge amounted to HK$90 million (2022: HK$75 million), mainly representing an impairment provision of HK$88 million (2022: HK$80 million) for Mainland DP held by subsidiaries.

## 5. FINANCE COSTS

| | Six months ended 30 June **2023** **HK$ Million** | 2022 HK$ Million |
|---|---|---|
| Interest on bank borrowings | **19** | 16 |
| Other finance costs | **2** | 4 |
| Total | **21** | 20 |

## 6. INCOME TAX

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2023** | 2022 |
| | **HK$ Million** | HK$ Million |
| **Current income tax** | | |
| Hong Kong | | |
| - provision for the period | **23** | 10 |
| Mainland China | | |
| - provision for the period | **1** | (12) |
| | **24** | (2) |
| **Land appreciation tax ("LAT")** (Note (d)) | **1** | 5 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(3)** | (19) |
| **Total** | **22** | (16) |

**(b)** The provision for Hong Kong profits tax is at the rate of 16.5% (2022: 16.5%) of the estimated assessable profits for the period.

**(c)** Income tax on profit assessable in Mainland China are corporate income tax calculated at a rate of 25% (2022: 25%) and withholding tax at a rate of up to 10%.

**(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)** Tax attributable to an associate for the six months ended 30 June 2023 of HK$126 million (2022: HK$Nil) included in the share of results of an associate.

## 7. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss attributable to equity shareholders for the period of HK$12 million (2022: HK$136 million) by 708.8 million ordinary shares (2022: 708.8 million shares) in issue during the period.

## 8. TRADE AND OTHER RECEIVABLES

Included in this item are trade receivables (net of loss allowance) with an ageing analysis based on invoice date as at 30 June 2023 as follows:

| | **30 June 2023 HK$ Million** | 31 December 2022 HK$ Million |
|---|---|---|
| Trade receivables | | |
| 0 – 30 days | **16** | 15 |
| 31 – 60 days | **1** | 2 |
| Over 60 days | **3** | 3 |
| | **20** | 20 |
| Prepayments | **39** | 37 |
| Other receivables | **8** | 8 |
| Amounts due from fellow subsidiaries | **49** | 76 |
| | **116** | 141 |

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

## 9. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on invoice date as at 30 June 2023 as follows:

| | **30 June 2023 HK$ Million** | 31 December 2022 HK$ Million |
|---|---|---|
| Trade payables | | |
| 0 – 30 days | **19** | 21 |
| 31 – 60 days | **4** | 5 |
| 61 – 90 days | **2** | 1 |
| Over 90 days | **4** | - |
| | **29** | 27 |
| Other payables and provisions | **389** | 406 |
| Construction costs payable | **1,004** | 1,230 |
| Amounts due to fellow subsidiaries | **4** | 5 |
| Amount due to an associate | **14** | - |
| | **1,440** | 1,668 |

## 10. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2023 has been reviewed with no disagreement by the Audit Committee of the Company.

## CORPORATE GOVERNANCE CODE

During the financial period under review, the Company has applied all the principles and complied with all the code provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, with one exception as regards Code Provision C.2.1 providing for the roles of chairman and chief executive to be performed by different individuals.

Such deviation is deemed appropriate as it is considered to be more efficient to have one single person to be Chairman of the Company as well as to discharge the executive functions of a chief executive thereby enabling more effective planning and better execution of long-term strategies. The Board believes that the balance of power and authority is adequately ensured by the operations and governance of the Board which comprises experienced and high calibre individuals, with more than half of them being Independent Non-executive Directors.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

By Order of the Board
**Harbour Centre Development Limited**
**Grace L. C. Ho**
*Company Secretary*

Hong Kong, 3 August 2023

*As at the date of this announcement, the Board comprises Mr. Stephen T. H. Ng, Hon. Frankie C. M. Yick and Mr. Peter Z. K. Pao, together with five Independent Non-executive Directors, namely, Mr. David T. C. Lie-A-Cheong, Mr. Roger K. H. Luk, Mr. Michael T. P. Sze, Mr. Brian S. K. Tang and Mr. Ivan T. L. Ting.*