



# HARBOUR CENTRE DEVELOPMENT LIMITED

Stock Code: 0051



INTERIM REPORT 2023

Cover Photo: The Murray, Hong Kong, a Niccolo Hotel earns its Forbes Travel Guide Five-Star award in 2023, two years in a row

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# 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 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 resulted in a lack of growth 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.

### **Hong Kong**

#### **Hotels**

The hotel industry in Hong Kong has seen positive development with higher occupancy and 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 approach 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 Star Awards, and MP Hong Kong is named a Recommended Hotel by Forbes 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 hotel's effort 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 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 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 an overall lacklustre economy, the Mainland office 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 was made.

## FINANCIAL REVIEW

### (I) Review of 2023 Interim Results

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 period.

Including 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 increased occupancy and room rate. 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.

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) which 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 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.

### 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 net IP revaluation surplus) attributable to equity shareholders are analysed as below:

	Six months ended 30 June	
	2023	2022
	HK\$ Million	HK\$ Million
<b>Underlying net loss</b>	<b>(75)</b>	(86)
Net IP revaluation surplus/(deficit)	<b>63</b>	(50)
<b>Loss attributable to equity shareholders</b>	<b>(12)</b>	(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 per share (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 Renminbi 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% of total business assets (31 December 2022: 74%). Mainland business assets decreased to HK\$3,282 million (31 December 2022: HK\$3,708 million), representing 19% of total business assets (31 December 2022: 21%).

### **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 Suzhou International Finance Square 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% of the Group's total assets (31 December 2022: 17%) 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 is 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).

## 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 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 for the DP project held by an associate.

### **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 related to 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

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2023 — Unaudited

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023 — Unaudited

	Note	30 June 2023 HK\$ Million	31 December 2022 HK\$ Million
<b>Non-current assets</b>			
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
		<b>15,322</b>	15,945
<b>Current assets</b>			
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
		<b>2,223</b>	2,582
Non-current assets classified as held for sale		311	322
		<b>2,534</b>	2,904
<b>Total assets</b>		<b>17,856</b>	18,849
<b>Non-current liabilities</b>			
Deferred tax liabilities		(319)	(326)
Bank loans		(559)	(581)
		<b>(878)</b>	(907)
<b>Current liabilities</b>			
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)
		<b>(2,083)</b>	(2,608)
<b>Total liabilities</b>		<b>(2,961)</b>	(3,515)
<b>NET ASSETS</b>		<b>14,895</b>	15,334
<b>Capital and reserves</b>			
Share capital		3,641	3,641
Reserves		11,076	11,487
<b>Shareholders' equity</b>		<b>14,717</b>	15,128
<b>Non-controlling interests</b>		178	206
<b>TOTAL EQUITY</b>		<b>14,895</b>	15,334

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2023 — Unaudited

	Shareholders' equity						
	Share capital	Investments revaluation reserve	Exchange reserve	Revenue reserve	Total shareholders' equity	Non-controlling interests	Total equity
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
<b>At 1 January 2023</b>	3,641	(139)	232	11,394	15,128	206	15,334
<b>Changes in equity for the period:</b>							
Loss	-	-	-	(12)	(12)	(21)	(33)
Other comprehensive income	-	(349)	(52)	2	(399)	(7)	(406)
Total comprehensive income	-	(349)	(52)	(10)	(411)	(28)	(439)
<b>At 30 June 2023</b>	3,641	(488)	180	11,384	14,717	178	14,895
<b>At 1 January 2022</b>	3,641	(12)	426	11,562	15,617	320	15,937
<b>Changes in equity for the period:</b>							
Loss	-	-	-	(136)	(136)	(23)	(159)
Other comprehensive income	-	(104)	(104)	-	(208)	(13)	(221)
Total comprehensive income	-	(104)	(104)	(136)	(344)	(36)	(380)
Transfer to revenue reserves upon de-recognition of equity investments	-	(37)	-	37	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	(58)	(58)
<b>At 30 June 2022</b>	3,641	(153)	322	11,463	15,273	226	15,499

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 June 2023 — Unaudited

	Six months ended 30 June	
	2023 HK\$ Million	2022 HK\$ Million
<b>Operating cash inflow</b>	<b>209</b>	5
Changes in working capital/others	(70)	(157)
Tax paid	(7)	(48)
Net cash generated from/(used in) operating activities	<b>132</b>	(200)
<b>Investing activities</b>		
Payment for hotel properties, plant and equipment	(15)	(2)
Other cash generated from investing activities	60	94
Net cash generated from investing activities	<b>45</b>	92
<b>Financing activities</b>		
Other cash used in financing activities	(338)	(231)
Net cash used in financing activities	<b>(338)</b>	(231)
<b>Decrease in cash and cash equivalents</b>	<b>(161)</b>	(339)
Cash and cash equivalents at 1 January	<b>634</b>	1,089
Effect on exchange rate changes	(18)	(47)
<b>Cash and cash equivalents at 30 June</b> (Note)	<b>455</b>	703
Note: Cash and cash equivalents Bank deposits and cash in the consolidated statement of financial position	<b>455</b>	703

# 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 “Listing Rules”).

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 ("MP Hong Kong") 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			Associate HK\$ Million	Profit/(loss) before taxation HK\$ Million
			investment properties HK\$ Million	Other net charge HK\$ Million	Finance costs HK\$ Million		
<b>30 June 2023</b>							
Hotels	454	15	-	-	(5)	-	10
Investment properties	121	108	63	-	(9)	-	162
Development properties	22	(13)	-	(88)	(7)	(146)	(254)
Investments	72	72	-	-	-	-	72
<b>Segment total</b>	<b>669</b>	<b>182</b>	<b>63</b>	<b>(88)</b>	<b>(21)</b>	<b>(146)</b>	<b>(10)</b>
Others	4	1	-	(2)	-	-	(1)
<b>Group total</b>	<b>673</b>	<b>183</b>	<b>63</b>	<b>(90)</b>	<b>(21)</b>	<b>(146)</b>	<b>(11)</b>
<b>30 June 2022</b>							
Hotels	220	(164)	-	-	(6)	-	(170)
Investment properties	102	90	(50)	-	(5)	-	35
Development properties	135	(29)	-	(80)	(9)	-	(118)
Investments	74	74	-	-	-	-	74
<b>Segment total</b>	<b>531</b>	<b>(29)</b>	<b>(50)</b>	<b>(80)</b>	<b>(20)</b>	<b>-</b>	<b>(179)</b>
Others	7	(1)	-	5	-	-	4
<b>Group total</b>	<b>538</b>	<b>(30)</b>	<b>(50)</b>	<b>(75)</b>	<b>(20)</b>	<b>-</b>	<b>(175)</b>

- (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
<b>Revenue recognised under HKFRS 15</b>		
Hotels	454	220
Management and services income and other rental related income	18	18
Sale of development properties	22	135
	494	373
<b>Revenue recognised under other accounting standards</b>		
Rental income under investment properties segment		
— Fixed	100	84
— Variable	3	–
Investments	72	74
Others	4	7
	179	165
<b>Total revenue</b>	<b>673</b>	<b>538</b>

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
<b>After charging:</b>		
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
<b>After crediting:</b>		
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 HK\$ Million	2022 HK\$ Million
<b>Current income tax</b>		
Hong Kong		
— provision for the period	23	10
Mainland China		
— provision for the period	1	(12)
	<b>24</b>	(2)
<b>Land appreciation tax (“LAT”) (Note (d))</b>	<b>1</b>	5
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(3)	(19)
<b>Total</b>	<b>22</b>	(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) Under the tax law in Mainland China, withholding tax at 10% is imposed unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside Mainland China.
- (f) Tax attributable to an associate for the six months ended 30 June 2023 of HK\$126 million (2022: HK\$Nil) is 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:

	<b>30 June 2023 HK\$ Million</b>	<b>31 December 2022 HK\$ Million</b>
Trade receivables		
0 – 30 days	<b>16</b>	15
31 – 60 days	<b>1</b>	2
Over 60 days	<b>3</b>	3
	<b>20</b>	20
Prepayments	<b>39</b>	37
Other receivables	<b>8</b>	8
Amounts due from fellow subsidiaries	<b>49</b>	76
	<b>116</b>	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:

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

## 10. Fair Value Measurement of Financial Instruments

### (a) Assets and liabilities carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement* ("HKFRS 13"). The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique. The levels are defined as follows:

Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

### **Financial instruments carried at fair value**

The fair value measurement information for financial instruments in accordance with HKFRS 13 is given below:

	<b>30 June 2023 HK\$ Million</b>	31 December 2022 HK\$ Million
<b>Level 1 Assets</b>		
Equity investments:		
— Listed investments	<b>2,843</b>	3,192

During the six months ended 30 June 2023, there were no transfers of instruments between Level 1 and Level 2, or transfer into or out of Level 3 (31 December 2022: Nil).

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of reporting period in which they occur.

#### **(b) Assets and liabilities carried at other than fair value**

All financial instruments carried at cost or amortised costs are carried at amounts not materially different from their fair values as at 30 June 2023 and 31 December 2022. Amounts due from/(to) fellow subsidiaries and related parties are unsecured, interest free and have no fixed repayment terms.

## 11. Material Related Party Transactions

Material transactions between the Group and other related parties during the six months ended 30 June 2023 are set out below:

- (a) There were in existence agreements with a subsidiary of The Wharf (Holdings) Limited ("Wharf"), being a related company of the Group, for the management, marketing, project management and technical services of the Group's hotel operations. Total fees payable under this arrangement during the current period amounted to HK\$17 million (2022: HK\$6 million). Such transaction does not constitute a connected transaction under the Listing Rules.
- (b) There were in existence agreements with a subsidiary of Wharf and subsidiaries of Wharf Real Estate Investment Company Limited ("Wharf REIC"), being the parent company of the Group, for the property services in respect of the Group's property projects. Total fees payable under this arrangement during the current period amounted to HK\$9 million (2022: HK\$11 million), of which HK\$3 million (2022: HK\$2 million) of such transaction constitutes a connected transaction as defined under the Listing Rules.
- (c) There were in existence leasing agreements entered into between subsidiaries of Wharf and subsidiaries of the Group for leases, tenancies or licences in respect of certain areas situated on 5/F of MP Hong Kong and certain areas situated on 6/F of Suzhou International Finance Square. Total rental income under this arrangement during the current period amounted to HK\$3 million (2022: HK\$3 million). Such transaction does not constitute a connected transaction under the Listing Rules.

## 12. Contingent Liabilities

As at 30 June 2023, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to bank overdrafts, short term loans and credit facilities up to HK\$1,780 million (31 December 2022: HK\$2,080 million).

As at 30 June 2023, there were guarantees of HK\$13 million (31 December 2022: HK\$11 million) provided by the Group to the banks in favour of their customers in respect of the mortgage loans provided by the banks to those customers for the purchase of the Group's development properties. There were no (31 December 2022: HK\$Nil) mortgage loan guarantees provided by an associate of the Group to the banks in favour of their customers.

The Group and the Company have not recognised any deferred income of the above guarantees for subsidiaries, joint ventures and an associate as their fair value cannot be reliably measured and their transaction price was HK\$Nil (31 December 2022: HK\$Nil).

As at the end of the reporting period, the directors do not consider it is probable that a claim will be made against the Group and the Company under any of the guarantees.

### 13. Commitments

The Group's outstanding commitments as at 30 June 2023 are detailed as below:

	30 June 2023			31 December 2022		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
<b>Investment Properties</b>						
Hong Kong	8	1	9	10	1	11
<b>Hotels</b>						
Hong Kong	11	-	11	13	-	13
<b>Development Properties</b>						
Mainland China	351	368	719	377	426	803
<b>Total</b>						
Hong Kong	19	1	20	23	1	24
Mainland China	351	368	719	377	426	803
	<b>370</b>	<b>369</b>	<b>739</b>	<b>400</b>	<b>427</b>	<b>827</b>

### 14. 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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 of Directors (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.

## **CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted its own set of code of conduct governing securities transactions of the Directors of the Company (the "Directors") with terms thereof being no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all Directors, and all of them have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company during the period under review.

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

At 30 June 2023, Directors had the following beneficial interests, all being long positions, in the shares and/or debentures of the Company, Wharf Real Estate Investment Company Limited ("Wharf REIC") (parent company of the Company) and Wharf REIC Finance (BVI) Limited (fellow subsidiary of the Company). The percentages which the relevant shares represented to the total number of shares in issue of the Company and Wharf REIC respectively are also set out below:

	Quantity/Amount held (percentage)	Nature of Interest
<b>The Company – Ordinary Shares</b>		
Michael T P Sze	9,000 (0.0013%)	Family Interest
<b>Wharf REIC – Ordinary Shares</b>		
Stephen T H Ng	1,435,445 (0.0473%)	Personal Interest
Peter Z K Pao	201,216 (0.0066%)	Family Interest
Michael T P Sze	53,949 (0.0018%)	Family Interest
<b>Wharf REIC Finance (BVI) Limited</b>		
<b>– USD Fixed Rate Notes due 2030</b>		
Brian S K Tang	US\$1,000,000	Personal Interest

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or the Model Code (or any other applicable code), there were no interests, whether long or short positions, held or deemed to be interested as at 30 June 2023 by any of Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company and its associated corporations held or deemed to be interested by any of them as at 30 June 2023.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s), who/which were, directly or indirectly, interested in 5% or more of any class of voting shares of the Company as at 30 June 2023, and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register"):

Names	No. of Ordinary Shares (percentage based on total number of shares in issue)
(i) Wharf REIC	506,946,196 (71.53%)
(ii) Wheelock and Company Limited ("WAC")	506,946,196 (71.53%)
(iii) HSBC Trustee (C.I.) Limited ("HSBC Trustee")	506,946,196 (71.53%)
(iv) Harson Investment Limited	57,054,375 (8.05%)

Notes:

- (1) For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) to (iii) above represented the same block of shares.
- (2) Wharf REIC's deemed shareholding interests stated above were held through its three wholly-owned subsidiaries, namely Wharf REIC Holdings Limited, Wharf Estates Limited and Upfront International Limited.
- (3) WAC's deemed shareholding interests stated above were held through Wharf REIC, of which it controls more than one-third of the voting power at general meetings.
- (4) HSBC Trustee's deemed shareholding interests stated above were held through WAC, of which it controls more than one-third of the voting power at general meetings.

All the interests stated above represent long positions. As at 30 June 2023, there were no short position interests recorded in the Register.

## CHANGES IN INFORMATION OF DIRECTORS

Given below are changes in information of the Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of the rule 13.51(2) under the Listing Rules since the publication of the last annual report of the Company:

	<b>Effective Date</b>
<b>Stephen T H Ng</b>	
<ul style="list-style-type: none"><li>Employers' Federation of Hong Kong<ul style="list-style-type: none"><li>– ceased to be a council member, vice chairman of General Committee and member of Executive Committee</li></ul></li></ul>	25 May 2023
<b>Frankie C M Yick</b>	
<ul style="list-style-type: none"><li>13th Chinese People's Political Consultative Conference<ul style="list-style-type: none"><li>– ceased to be member of the National Committee</li></ul></li><li>The Government of the Hong Kong Special Administrative Region<ul style="list-style-type: none"><li>– awarded the Honour of Gold Bauhinia Star</li></ul></li></ul>	2 March 2023 1 July 2023
<b>David T C Lie-A-Cheong</b>	
<ul style="list-style-type: none"><li>14th Chinese People's Political Consultative Conference<ul style="list-style-type: none"><li>– re-elected as member of the National Committee</li></ul></li></ul>	12 March 2023
<b>Roger K H Luk</b>	
<ul style="list-style-type: none"><li>Harbour Centre Development Limited<ul style="list-style-type: none"><li>– appointed as chairman of the Audit Committee</li></ul></li><li>China Properties Group Limited<ul style="list-style-type: none"><li>– resigned as an independent non-executive director</li></ul></li><li>The Chinese University of Hong Kong<ul style="list-style-type: none"><li>– resigned as council member</li></ul></li></ul>	4 May 2023 2 June 2023 3 August 2023
<b>Michael T P Sze</b>	
<ul style="list-style-type: none"><li>Harbour Centre Development Limited<ul style="list-style-type: none"><li>– ceased to be chairman of the Audit Committee</li></ul></li></ul>	4 May 2023
<b>Ivan T L Ting</b>	
<ul style="list-style-type: none"><li>Harbour Centre Development Limited<ul style="list-style-type: none"><li>– appointed as member of the Audit Committee</li></ul></li></ul>	4 May 2023

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

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

Hong Kong, 3 August 2023

*As at the date of this interim report, 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.*

*Notwithstanding any choice of language or means for the receipt of corporate communications (viz. annual report, interim report, etc.) previously made by Shareholder(s) and communicated to the Company, Shareholder(s) is/are given the option (which may be exercised at any time by giving reasonable prior notice to the Company) of changing his/her/their choice of printed language version(s) to English only, Chinese only or both English and Chinese for receiving future corporate communications, or changing the choice of receiving future corporate communications to using electronic means instead of in printed version (or vice versa). Such notice of change of choice should contain the full name(s) in English, address and contact telephone number of the relevant Shareholder(s), together with the relevant words regarding the request for the change of choice, and should be sent to the Company, c/o the Company's Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by post or by hand delivery, or via email to [harbourcentre-ecom@hk.tricorglobal.com](mailto:harbourcentre-ecom@hk.tricorglobal.com).*