



HARBOUR CENTRE DEVELOPMENT LIMITED

Stock Code : 0051

INTERIM REPORT 2022



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Covid End Game Unknown

President Xi Jinping officially reaffirmed on 1 July 2022 the National directive of ensuring solidarity of “One Country, Two Systems” and that the unique position and advantage of Hong Kong must be preserved (必須保持香港的獨特地位和優勢) to expand open, convenient and expedient international connectivity (拓展暢通便捷的國際聯繫), failing which the National mandate to uphold Hong Kong’s leading role as an international financial, shipping and trade centre would be seriously detrimented.

HIGHLIGHTS

- Group Underlying Net Loss (“UNL”) widened during the first half of 2022
- Hotels in Hong Kong were hit by Covid “5th Wave” and reported UNL of HK\$122 million in spite of 2022 Employment Subsidy Scheme (“ESS”)
- Cumulative UNL from Hotels in Hong Kong in past 30 months exceeded HK\$650 million
- Monthly UNL is still expected as long as border remains closed to inbound arrivals
- Investment Properties (“IP”) similarly adversely impacted

GROUP RESULTS

UNL amounted to HK\$86 million (2021: HK\$29 million). Inclusive of deficit on revaluation of IP, Group loss attributable to equity shareholders was HK\$136 million (2021: HK\$104 million).

Basic loss per share was HK\$0.19 (2021: HK\$0.15).

INTERIM DIVIDEND

The Board of Directors has resolved not to declare any interim dividend for the half-year period ended 30 June 2022 (2021: Nil).

BUSINESS REVIEW

Much of the first half of 2022 was shrouded by COVID-19.

Hong Kong

Hong Kong imposed the strictest and longest-lasting distancing measures on record when the “5th Wave” attacked in early January. Local social and economic life only started to return to more normal in April.

Hotels

Business was weak for much of the period. The “5th Wave” inflicted serious damage until late April on local consumption including staycation, restaurants, bars and events.

To maintain innovative in such a harsh business environment, the Group’s hotels launched a variety of accommodation promotions to capture market demand from long-stay guests to “Work from Hotel” day-use. Special food delivery service and private dining in suites were also offered to help sustain business flow.

The Murray, Hong Kong, a Niccolo Hotel (“The Murray”) remains committed to service excellence despite the challenging business environment. In the first half of 2022, the hotel was proud to receive a new Forbes Travel Guide Five-Star award and was a finalist for the “Work Here, Work Happy” accolade with its third annual Best of the Year awards.

For the third year in a row, Marco Polo Hongkong Hotel (“MP Hong Kong”) won the Forbes Travel Guide Four-Star restaurant award for its renowned Italian restaurant, *Cucina*. The hotel was also named a Recommended Hotel by this only global rating system for luxury hotels, restaurants and spas.

Investment Properties

Hong Kong retail sales slumped by 2.9% in the first five months of the year and market rent remained weak. On the back of stable occupancy, IP revenue and operating profit increased by 4% and 7% respectively.

Mainland China

Resurgence of COVID-19 cases in various provinces and cities and lockdowns that followed badly affected business. The hospitality industry was hard hit by domestic travel bans and strict testing requirements for travellers. Recovery has been slow, gradual and unpredictable.

Hotels

Niccolo Suzhou, atop the city's tallest skyscraper Suzhou International Finance Square ("SZIFS"), had ramped up rapidly since its opening in April 2021 with immediate Gross Operating Profit throughout 2021. However, lockdown first in Suzhou and later in Shanghai, its main feeder market, reduced the hotel to its first Gross Operating Loss for two consecutive quarters in 2022.

In February 2022, a binding agreement was reached to dispose of the loss-making Marco Polo Changzhou ("MP Changzhou") at a valuation of RMB410 million. However, the Purchaser has defaulted on subsequent payments and the transaction was terminated in July 2022. The Group will be seeking legal compensation from the Purchaser.

Properties

With the orderly exit from the Development Properties ("DP") business, only unsold and slow-moving stocks in SZIFS and Shanghai South Station projects were left in the portfolio. Sales and recognition dwindled as anticipated.

FINANCIAL REVIEW

(I) Review of 2022 Interim Results

Under the influence of the pandemic, the Group recorded an UNL of HK\$86 million (2021: HK\$29 million). Hotel Segment suffered a loss of HK\$165 million (2021: HK\$169 million). DP reported a loss of HK\$83 million (2021: HK\$6 million) due to depleted revenue recognition and an attributable impairment provision of HK\$64 million (2021: HK\$60 million).

Revenue and Operating Profit

Group revenue decreased by 70% to HK\$538 million (2021: HK\$1,813 million) and operating profit turned to a loss of HK\$30 million (2021: profit of HK\$142 million), both principally due to DP.

Hotels revenue reduced by 5% to HK\$220 million (2021: HK\$232 million) and operating loss amounted to HK\$164 million (2021: HK\$161 million). Hong Kong revenue increased to HK\$195 million (2021: HK\$186 million) and operating loss narrowed to HK\$115 million (2021: HK\$127 million). Mainland revenue declined by 45% and operating loss increased to HK\$49 million (2021: HK\$34 million) due to pandemic-hit Niccolo Suzhou. MP Changzhou ceased its operation since 28 February 2022.

IP revenue increased by 4% to HK\$102 million (2021: HK\$98 million) and operating profit increased to HK\$90 million (2021: HK\$84 million).

DP revenue decreased significantly to HK\$135 million (2021: HK\$1,402 million) and recorded operating loss of HK\$29 million (2021: profit of HK\$146 million) with much lower sales recognition for SZIFS.

Investments operating profit, mainly from dividend income, stayed at HK\$74 million (2021: HK\$74 million).

IP Revaluation Change

The Group's IP were stated at fair value based on independent valuation as at 30 June 2022, resulting in a revaluation deficit of HK\$50 million for the period (2021: HK\$22 million). The attributable net IP revaluation deficit of HK\$50 million (2021: HK\$22 million) was debited to the consolidated income statement.

Other Net Charge/(Income)

Other net charge amounted to HK\$75 million (2021: income of HK\$1 million), mainly representing an impairment provision of HK\$80 million (2021: HK\$Nil) for a Mainland DP project.

Finance Costs

Net finance costs amounted to HK\$20 million (2021: HK\$17 million). No interest expenses were capitalised (2021: HK\$4 million).

Share of Results (After Tax) of Associates

No profit was recorded from associates (2021: loss of HK\$60 million, mainly impairment provision on a DP project).

Income Tax

Taxation credit for the period amounted to HK\$16 million (2021: charge of HK\$67 million) with over-provision made in prior years.

Loss Attributable to Equity Shareholders

Group loss attributable to equity shareholders for the period was HK\$136 million (2021: HK\$104 million). Loss per share was HK\$0.19 (2021: HK\$0.15) based on 708.8 million issued shares.

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

	Six months ended 30 June	
	2022	2021
	HK\$ Million	HK\$ Million
Underlying net loss	(86)	(29)
Attributable net impairment provision for hotel properties	–	(53)
Attributable net IP revaluation deficit	(50)	(22)
Loss attributable to equity shareholders	(136)	(104)
Underlying net loss per share	(HK\$0.12)	(HK\$0.04)

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

Shareholders' and Total Equity

As at 30 June 2022, shareholders' equity decreased to HK\$15,273 million (31 December 2021: HK\$15,617 million), equivalent to HK\$21.55 (31 December 2021: HK\$22.03) per share. The decrease was mainly attributable to the reporting loss and the deficit arising from investment revaluation. Including non-controlling interests, the Group's total equity amounted to HK\$15,499 million (31 December 2021: HK\$15,937 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 2022 would give rise to a revaluation surplus of HK\$4,003 million and increase the Group's shareholders' equity as at 30 June 2022 to HK\$19,276 million, equivalent to HK\$27.20 per share.

Assets and Liabilities

Total assets were reported at HK\$19,406 million (31 December 2021: HK\$20,526 million). Total business assets, excluding bank deposits and cash and deferred tax assets, amounted to HK\$18,455 million (31 December 2021: HK\$19,188 million).

Geographically, business assets in Hong Kong amounted to HK\$13,300 million (31 December 2021: HK\$13,579 million), representing 72% (31 December 2021: 71%) of total business assets. Mainland business assets decreased to HK\$4,019 million (31 December 2021: HK\$4,433 million), representing 22% (31 December 2021: 23%) of total business assets.

Hotels

Hotel properties, at cost less depreciation, amounted to HK\$6,692 million (31 December 2021: HK\$7,170 million), which comprised The Murray (HK\$5,929 million), MP Hong Kong (HK\$22 million) and Niccolo Suzhou (HK\$741 million).

Investment Properties

IP amounted to HK\$5,088 million (31 December 2021: HK\$5,138 million), which comprised MP Hong Kong's podium (HK\$4,516 million) and Star House units (HK\$572 million).

Development Properties for Sale/Interests in Associates and Joint Ventures

Total DP amounted to HK\$1,924 million (31 December 2021: HK\$2,227 million), mainly comprising SZIFS and those undertaken through associates and joint ventures amounting to HK\$941 million (31 December 2021: HK\$983 million).

Equity Investments

Equity investments after certain disposals in the period were marked to market at HK\$3,178 million (31 December 2021: HK\$3,386 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 2021: 16%) 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\$104 million (2021: surplus of HK\$455 million) as reflected in the Other Comprehensive Income Statement, of which a total HK\$37 million (2021: HK\$46 million) was transferred to retained profits upon de-recognition.

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

	30 June 2022 HK\$ Million	31 December 2021 HK\$ Million
Analysed by industry sector:		
– Properties	2,673	2,920
– Others	505	466
Total	3,178	3,386
Analysed by geographical location:		
– Hong Kong	2,042	2,210
– Overseas	1,136	1,176
Total	3,178	3,386

Pre-sale Deposits and Proceeds

Pre-sale deposits and proceeds decreased to HK\$228 million (31 December 2021: HK\$244 million) upon recognition of revenue.

Net Debt and Gearing

At 30 June 2022, the Group had net debt of HK\$565 million (31 December 2021: HK\$361 million), consisting of HK\$703 million in cash (mainly held in Mainland China) and HK\$1,268 million in bank borrowings (mainly drawn in Hong Kong). Gearing remained low at 4% of total equity (31 December 2021: 2%).

Finance and Availability of Facilities and Funds

As at 30 June 2022, the Group's available loan facilities amounted to HK\$3,179 million, of which HK\$1,268 million were utilised. Certain banking facilities were secured by hotel and DP in the Mainland of RMB1,332 million (equivalent to HK\$1,558 million) (31 December 2021: RMB1,347 million (equivalent to HK\$1,648 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 2022, the Group also held a portfolio of liquid listed equity investments with an aggregate market value of HK\$3,178 million (31 December 2021: HK\$3,386 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 outflow in operating activities of HK\$200 million (2021: inflow of HK\$196 million) primarily attributable to SZIFS construction payments. For investing activities, the Group incurred a net cash inflow of HK\$92 million (2021: HK\$75 million) mainly from net disposal of investments.

Commitments to Capital and Development Expenditure

As at 30 June 2022, major capital and development expenditure planned for the coming years totalled HK\$1.0 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 1,100 employees as at 30 June 2022. 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 2022 – Unaudited

		Six months ended 30 June	
		2022	2021
		HK\$ Million	HK\$ Million
	Note		
Revenue	2	538	1,813
Direct costs and operating expenses		(334)	(1,408)
Selling and marketing expenses		(42)	(82)
Administrative and corporate expenses		(77)	(74)
Operating profit before depreciation, interest and tax		85	249
Depreciation		(115)	(107)
Operating (loss)/profit	2&3	(30)	142
Changes in fair value of investment properties		(50)	(22)
Impairment loss on hotel properties		–	(67)
Other net (charge)/income	4	(75)	1
Finance costs	5	(155)	54
Share of results after tax of associates		(20)	(17)
		–	(60)
Loss before taxation		(175)	(23)
Income tax	6(a)	16	(67)
Loss for the period		(159)	(90)
(Loss)/profit attributable to:			
Equity shareholders		(136)	(104)
Non-controlling interests		(23)	14
		(159)	(90)
Loss per share	7		
Basic		(HK\$0.19)	(HK\$0.15)
Diluted		(HK\$0.19)	(HK\$0.15)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Six Months Ended 30 June 2022 – Unaudited

	Six months ended 30 June	
	2022 HK\$ Million	2021 HK\$ Million
Loss for the period	(159)	(90)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	(104)	455
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of the operations – subsidiaries	(115)	38
Share of reserves of joint ventures	(2)	–
Others	–	1
Other comprehensive income for the period	(221)	494
Total comprehensive income for the period	(380)	404
Total comprehensive income attributable to:		
Equity shareholders	(344)	385
Non-controlling interests	(36)	19
	(380)	404

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – Unaudited

	Note	30 June 2022 HK\$ Million	31 December 2021 HK\$ Million
Non-current assets			
Investment properties		5,088	5,138
Hotel properties, plant and equipment		6,790	7,285
Interest in associates		920	962
Interest in joint ventures		21	21
Equity investments		3,178	3,386
Deferred tax assets		248	249
Other non-current assets		40	41
		16,285	17,082
Current assets			
Properties for sale		1,924	2,227
Inventories		9	10
Trade and other receivables	8	131	118
Prepaid tax		7	–
Bank deposits and cash		703	1,089
		2,774	3,444
Non-current assets classified as held for sale		347	–
		3,121	3,444
Total assets		19,406	20,526
Non-current liabilities			
Deferred tax liabilities		(341)	(353)
Bank loans		(1,018)	(1,450)
		(1,359)	(1,803)
Current liabilities			
Liabilities directly associated with the non-current assets classified as held for sale		(11)	–
Trade and other payables	9	(1,865)	(2,304)
Pre-sale deposits and proceeds		(228)	(244)
Taxation payable		(194)	(238)
Bank loans		(250)	–
		(2,548)	(2,786)
Total liabilities		(3,907)	(4,589)
NET ASSETS		15,499	15,937
Capital and reserves			
Share capital		3,641	3,641
Reserves		11,632	11,976
Shareholders' equity		15,273	15,617
Non-controlling interests		226	320
TOTAL EQUITY		15,499	15,937

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Six Months Ended 30 June 2022 – Unaudited

	Shareholders' equity					Non-controlling interests	Total equity
	Share capital	Investments revaluation reserve	Exchange reserve	Revenue reserve	Total shareholders' equity		
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
At 1 January 2022	3,641	(12)	426	11,562	15,617	320	15,937
Changes in equity for the period:							
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)
At 30 June 2022	3,641	(153)	322	11,463	15,273	226	15,499
At 1 January 2021	3,641	(80)	333	11,588	15,482	447	15,929
Changes in equity for the period:							
(Loss)/profit	-	-	-	(104)	(104)	14	(90)
Other comprehensive income	-	455	33	1	489	5	494
Total comprehensive income	-	455	33	(103)	385	19	404
Transfer to revenue reserves upon de-recognition of equity investments	-	(46)	-	46	-	-	-
2020 second special interim dividend paid	-	-	-	(50)	(50)	-	(50)
At 30 June 2021	3,641	329	366	11,481	15,817	466	16,283

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For The Six Months Ended 30 June 2022 – Unaudited

	Six months ended 30 June	
	2022 HK\$ Million	2021 HK\$ Million
Operating cash inflow	5	169
Changes in working capital/others	(157)	45
Tax paid	(48)	(18)
Net cash (used in)/generated from operating activities	(200)	196
Investing activities		
Additions to investment properties and hotel properties, plant and equipment	(2)	(198)
Other cash generated from investing activities	94	273
Net cash generated from investing activities	92	75
Financing activities		
Dividends paid to equity shareholders	–	(50)
Other cash used in financing activities	(231)	(367)
Net cash used in financing activities	(231)	(417)
Decrease in cash and cash equivalents	(339)	(146)
Cash and cash equivalents at 1 January	1,089	1,294
Effect on exchange rate changes	(47)	(5)
Cash and cash equivalents at 30 June (Note)	703	1,143
Note: Cash and cash equivalents Bank deposits and cash in the consolidated statement of financial position	703	1,143

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 2021. 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 2021 except for the changes mentioned below.

With effect from 1 January 2022, the Group has adopted the below amendments which are relevant to the Group’s consolidated financial statements:

Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract
Annual Improvements to HKFRS 2018 – 2020 Cycle	

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 2021 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 2021 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 associates 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)/ income and impairment loss HK\$ Million	Finance costs HK\$ Million	Associates HK\$ Million	Profit/(loss) before taxation HK\$ Million
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)
30 June 2021							
Hotels	232	(161)	-	(67)	(10)	-	(238)
Investment properties	98	84	(22)	-	(4)	-	58
Development properties	1,402	146	-	-	(3)	(60)	83
Investments	74	74	-	-	-	-	74
Segment total	1,806	143	(22)	(67)	(17)	(60)	(23)
Others	7	(1)	-	1	-	-	-
Group total	1,813	142	(22)	(66)	(17)	(60)	(23)

- (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	
	2022 HK\$ Million	2021 HK\$ Million
Revenue recognised under HKFRS 15		
Hotels	220	232
Management and services income and other rental related income	18	18
Sale of development properties	135	1,402
	373	1,652
Revenue recognised under other accounting standards		
Rental income under investment properties segment		
– Fixed	84	80
Investments	74	74
Others	7	7
	165	161
Total revenue	538	1,813

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	
	2022 HK\$ Million	2021 HK\$ Million
After charging:		
Depreciation	115	107
Staff costs (Note i)	159	134
Cost of trading properties for recognised sales	133	1,199
Direct operating expenses of investment properties	8	11
After crediting:		
Gross rental revenue from investment properties	102	98
Interest income	7	7
Dividend income from equity investments	74	74
Government grants (Note ii)	16	–

Notes:

- (i) Staff costs included defined contribution pension schemes costs HK\$6 million (2021: HK\$6 million), which included MPF schemes after a forfeited contribution of HK\$1 million (2021: HK\$Nil).
- (ii) Government grants mainly included subsidy under the ESS in 2022.

4. Other Net (Charge)/Income

Other net charge amounted to HK\$75 million (2021: income of HK\$1 million), mainly representing an impairment provision of HK\$80 million (2021: HK\$Nil) for a Mainland DP project.

5. Finance Costs

	Six months ended 30 June	
	2022 HK\$ Million	2021 HK\$ Million
Interest on bank borrowings	16	18
Other finance costs	4	3
	20	21
Less: Amount capitalised	–	(4)
Total	20	17

6. Income Tax

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

	Six months ended 30 June	
	2022 HK\$ Million	2021 HK\$ Million
Current income tax		
Hong Kong		
– provision for the period	10	6
Mainland China		
– provision for the period	(12)	2
	(2)	8
Land appreciation tax ("LAT") (Note (d))	5	12
Deferred tax		
Origination and reversal of temporary differences	(19)	47
Total	(16)	67

- (b) The provision for Hong Kong profits tax is at the rate of 16.5% (2021: 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% (2021: 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) There was no tax attributable to associates for the six months ended 30 June 2022 (2021: HK\$Nil) is included in the share of results of associates.

7. Loss Per Share

The calculation of basic and diluted loss per share is based on the loss attributable to equity shareholders for the period of HK\$136 million (2021: HK\$104 million) and 708.8 million ordinary shares (2021: 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 2022 as follows:

	30 June 2022 HK\$ Million	31 December 2021 HK\$ Million
Trade receivables		
0 – 30 days	37	25
31 – 60 days	20	2
Over 60 days	3	2
	60	29
Prepayments	45	49
Other receivables	7	5
Amount due from a non-controlling shareholder	10	11
Amounts due from fellow subsidiaries	9	24
	131	118

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 2022 as follows:

	30 June 2022 HK\$ Million	31 December 2021 HK\$ Million
Trade payables		
0 – 30 days	18	18
31 – 60 days	4	3
61 – 90 days	1	–
Over 90 days	–	1
	23	22
Other payables and provisions	476	456
Construction costs payable	1,360	1,819
Amounts due to fellow subsidiaries	6	7
	1,865	2,304

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:

	30 June 2022 HK\$ Million	31 December 2021 HK\$ Million
Level 1 Assets		
Equity investments:		
– Listed investments	3,178	3,386

During the six months ended 30 June 2022, there were no transfers of instruments between Level 1 and Level 2, or transfer into or out of Level 3 (31 December 2021: 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 2022 and 31 December 2021. 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 2022 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\$6 million (2021: 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\$11 million (2021: HK\$11 million), of which HK\$2 million (2021: 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 a subsidiary of Wharf REIC for leases, tenancies or licences in respect of certain areas situated on 3/F and 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 (2021: HK\$3 million). Such transaction does not constitute a connected transaction under the Listing Rules.

12. Contingent Liabilities

As at 30 June 2022, 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\$2,580 million (31 December 2021: HK\$3,830 million).

As at 30 June 2022, there were guarantees of HK\$41 million (31 December 2021: HK\$38 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 2021: HK\$Nil) mortgage loan guarantees provided by associates 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 associates as their fair value cannot be reliably measured and their transaction price was HK\$Nil (31 December 2021: 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 2022 are detailed as below:

	30 June 2022			31 December 2021		
	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million	Committed HK\$ Million	Uncommitted HK\$ Million	Total HK\$ Million
Investment Property						
Hong Kong	12	-	12	-	-	-
Hotel						
Hong Kong	11	-	11	2	-	2
Development Property						
Mainland China	417	545	962	440	453	893
Total						
Hong Kong	23	-	23	2	-	2
Mainland China	417	545	962	440	453	893
	440	545	985	442	453	895

14. Events After the Reporting Period

On 18 February 2022, the Group announced as a Discloseable Transaction the entering into of the equity transfer agreement (the "Agreement") to dispose of the entire equity interest in 九龍倉(常州)置業有限公司, owner of the hotel previously known as Marco Polo Changzhou. On 18 May 2022, 21 June 2022, 11 July 2022 and 2 August 2022, the Group made four consecutive supplemental announcements in relation to the multiple defaults in settlement of payment instalments by the Purchaser and the termination of the Agreement.

The Vendor has exercised its right to legally terminate the Agreement and will be entitled to receive from the Purchaser liquidated damage in the amount of RMB120.88 million plus interest in the amount of RMB11.33 million. The Vendor has forfeited a total amount of RMB69 million previously paid by the Purchaser and will take legal action to recover the remaining balance.

15. Review of Unaudited Interim Financial Information

The unaudited interim financial information for the six months ended 30 June 2022 has been reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

During the financial period under review, all the code provisions set out in the Corporate Governance Code 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") were met by the Company, 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 a code of conduct governing Directors' securities transactions 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") 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 2022, Directors of the Company 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 two companies respectively are also set out below:

	Quantity/ Amount held (percentage, where applicable)	Nature of Interest
The Company – Ordinary Shares		
Michael T P Sze	9,000 (0.0013%)	Family Interest
Wharf REIC – Ordinary Shares		
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
Wharf REIC Finance (BVI) Limited – USD Fixed Rate Notes due 2030		
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 2022 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 2022.

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 2022, 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	Number 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 ("Wheelock")	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) Wheelock'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 Wheelock, 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 2022, there were no short position interests recorded in the Register.

CHANGES IN INFORMATION OF DIRECTORS

Given below are changes in information of the Directors of the Company 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:

	Effective Date
David T C Lie-A-Cheong <ul style="list-style-type: none">• Hong Kong General Chamber of Commerce<ul style="list-style-type: none">– retired as general committee member	13 May 2022
Roger K H Luk <ul style="list-style-type: none">• Urban Renewal Authority<ul style="list-style-type: none">– retired as non-executive director (non-official)	30 April 2022
Frankie C M Yick <ul style="list-style-type: none">• Airport Authority Hong Kong<ul style="list-style-type: none">– retired as board member	1 June 2022

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 of
Harbour Centre Development Limited
Grace L C Ho
Company Secretary

Hong Kong, 2 August 2022

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.