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## **HARBOUR CENTRE DEVELOPMENT LIMITED**

*(Incorporated in Hong Kong with limited liability)*

Stock Code: 51

### **2022 Final Results Announcement**

#### **Darkest Hours Before Dawn?**

#### **HIGHLIGHTS**

- Underlying Net Loss was reported for the first time since listing in 1971
- Group Loss Attributable to Shareholders was reported for the third consecutive year
- No dividend will be paid
- Progressive return to a post-COVID normal promises a better 2023 but uncertainties remain

#### **GROUP RESULTS**

Group loss attributable to equity shareholders amounted to HK\$197 million (2021: HK\$24 million). Excluding revaluation deficits on investment properties and other non-recurring item, underlying net loss was HK\$133 million (2021: profit of HK\$40 million), the first such loss since listing in 1971.

Underlying loss per share was HK\$0.19 (2021: earnings per share of HK\$0.06). Attributable loss to equity shareholders per share was HK\$0.28 (2021: HK\$0.03).

#### **DIVIDEND**

No dividend will be paid in respect of the year ended 31 December 2022 (2021: Nil).

## **BUSINESS REVIEW**

### **Hong Kong**

Local social distancing measures began to be gradually relaxed in April 2022. However, various inbound control measures remained. As a result, Hong Kong's hotel and retail sectors mainly survived on local demand throughout the year.

#### **Hotels**

Local demand for hospitality was severely disrupted by the "5th Wave" of COVID-19 for much of the first half of the year. After inbound control measures were relaxed, demand for staycation subdued in the fourth quarter, as locals started to travel abroad quickly while visitors were slow in returning. Banquets and events were strong in the seasonal fourth quarter.

To capture the local demand, various accommodation promotions were launched by the Group's hotels, such as long-stay packages at Marco Polo Hongkong Hotel ("MP Hong Kong") and attractive staycation packages and unique culinary experiences at The Murray, Hong Kong, a Niccolo Hotel ("The Murray"). Together with effective cost control, they helped the Group's hotels to achieve turnaround to gross operating profit.

The Murray celebrated its 5th anniversary in 2022. It was proud to receive a Forbes Travel Guide Five-Star award and was named the "Best City Hotel" – Hong Kong by Annual TTG Travel Awards for the second time and the "Best Historic Hotels Worldwide Hotel in Asia/Pacific" in Historic Hotels Worldwide Annual Awards of Excellence 2022.

MP Hong Kong was awarded "Best Luxury Sea View Hotel in Hong Kong" by Luxury Lifestyle Awards. Its renowned Italian restaurant *Cucina* also won the Forbes Travel Guide Four-Star restaurant award for the third consecutive year.

#### **Investment Properties ("IP")**

Local consumer sentiment was dampened by global economic uncertainty and volatile asset markets, leading to a slight decrease in retail sales in Hong Kong of 0.9%. The Group's IP revenue and operating profit increased by 12% and 17%, respectively.

### **Mainland China**

Many provinces and cities experienced varying levels of lockdowns or restrictions, resulting in a slowdown in economy and consumption. The easing of "zero-COVID" policy in early January 2023 opened the door for recovery, but speed and sustainability remain uncertain in the near future due to the weak economy.

#### **Hotels**

Niccolo Suzhou, located at the top of the city's tallest skyscraper, Suzhou International Finance Square ("SZIFS"), had experienced rapid growth in 2021 since opening in April. However, lockdowns in Suzhou and Shanghai in the first half of 2022 dealt a major blow on the hotel's business in the year, leading to a sharp decline in revenue and profit.

In February 2022, a binding agreement was reached to dispose of the loss-making Marco Polo Changzhou (“MP Changzhou”) at a valuation of RMB411 million. The hotel was closed at the end of February to prepare for vacant possession. However, the purchaser defaulted on subsequent payments and the transaction was terminated in July 2022. Partial payment of RMB69 million already received have been forfeited but the hotel remains closed. The Group continues to pursue contractual recourse against the defaulted purchaser.

**Development Properties (“DP”)**

Revenue decreased significantly to HK\$193 million (2021: HK\$3,553 million) and resulted in an operating loss of HK\$61 million (2021: profit of HK\$555 million), mainly due to much lower sales recognition for SZIFS than in its completion year of 2021.

Attributable contracted sales in 2022 was RMB608 million, primarily from the 27%-owned Shanghai South Station office and retail project.

The Group made its most recent DP land investment in 2012. As at the end of 2022, total remaining DP assets amounted to about RMB2.7 billion (equivalent to HK\$3.0 billion) or about 16% of Group assets.

## FINANCIAL REVIEW

### (I) Review of 2022 Results

Shrouded by the pandemic, Group underlying net profit turned to a loss of HK\$133 million (2021: profit of HK\$40 million) with DP reporting a loss of HK\$194 million (2021: profit of HK\$45 million) due to lower sales recognition and Hotel segment's continuing loss of HK\$247 million (2021: HK\$287 million).

Including attributable net IP revaluation deficit of HK\$133 million (2021: HK\$10 million) and attributable net liquidated damage of HK\$69 million (2021: Nil) from the defaulted disposal of MP Changzhou, the Group recorded a net loss of HK\$197 million (2021: HK\$24 million) attributable to equity shareholders.

#### Revenue and Operating Profit

Group revenue decreased by 75% to HK\$1,139 million (2021: HK\$4,484 million) and operating profit by 95% to HK\$29 million (2021: HK\$588 million) primarily due to significant reduction in recognition from DP.

Hotels revenue slightly decreased by 1% to HK\$577 million (2021: HK\$580 million) while operating loss narrowed by 12% to HK\$240 million (2021: HK\$274 million). Hong Kong hotels revenue increased to HK\$490 million (2021: HK\$457 million) and operating loss improved to HK\$193 million (2021: HK\$218 million). Mainland revenue decreased by 29% while operating loss decreased to HK\$47 million (2021: HK\$56 million) mainly due to business cessation of the MP Changzhou after February 2022.

IP revenue increased by 12% to HK\$217 million (2021: HK\$193 million) and operating profit increased to HK\$189 million (2021: HK\$161 million).

DP revenue significantly decreased to HK\$193 million (2021: HK\$3,553 million) and reported an operating loss of HK\$61 million (2021: profit of HK\$555 million) with much lower sales recognition for SZIFS.

Investments operating profit, mainly from dividend income, maintained at HK\$142 million (2021: HK\$141 million).

#### IP Revaluation Change

The Group's IP were stated at fair value based on an independent valuation as at 31 December 2022, resulting in a revaluation deficit of HK\$133 million for the year (2021: HK\$10 million). The attributable net IP revaluation deficit of HK\$133 million (2021: HK\$10 million) was debited to the consolidated income statement.

### Other Net Income

Other net income of HK\$Nil (2021: HK\$3 million), mainly comprised of a DP impairment provision of HK\$77 million (2021: Nil) for SZIFS and compensation of HK\$77 million (2021: Nil) recognised upon the termination, due to purchaser's default, of the disposal 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.

### Finance Costs

Net finance costs amounted to HK\$43 million (2021: HK\$34 million). No interest expenses were capitalised (2021: HK\$4 million).

### Share of Results (after tax) of Associate

Attributable loss of associate amounted to HK\$68 million (2021: HK\$125 million, mainly impairment provision on a DP project) with an additional land appreciation tax provision made on the Shanghai South Station joint-venture DP project.

### Income Tax

Taxation charge for the year amounted to HK\$12 million (2021: HK\$323 million) attributable to lower DP recognition.

### Loss Attributable to Equity Shareholders

Group loss attributable to equity shareholders for the year was HK\$197 million (2021: HK\$24 million). Loss per share ("LPS") was HK\$0.28 (2021: HK\$0.03) based on 708.8 million issued shares.

Underlying net (loss)/profit (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:

	<b>2022</b>	2021
	<b>HK\$ Million</b>	HK\$ Million
<b>Underlying net (loss)/profit</b>	<b>(133)</b>	40
Attributable net impairment provision for hotel properties	-	(54)
Attributable net liquidated damage from termination of disposal of a hotel property	<b>69</b>	-
Attributable net IP revaluation deficit	<b>(133)</b>	(10)
Loss attributable to equity shareholders	<b>(197)</b>	(24)

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

### **Shareholders' and Total Equity**

As at 31 December 2022, shareholders' equity decreased to HK\$15,128 million (2021: HK\$15,617 million), equivalent to HK\$21.34 (2021: HK\$22.03) per share. The decrease was mainly attributable to the loss reported and the deficit arising from investment revaluation and exchange reserves. Including non-controlling interests, the Group's total equity amounted to HK\$15,334 million (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 31 December 2022 would give rise to a revaluation surplus of HK\$3,918 million and increase the Group's shareholders' equity as at 31 December 2022 to HK\$19,046 million, equivalent to HK\$26.87 per share.

### **Assets and Liabilities**

Total assets were reported at HK\$18,849 million (2021: HK\$20,526 million). Total business assets, excluding bank deposits and cash and deferred tax assets, amounted to HK\$17,989 million (2021: HK\$19,188 million).

Geographically, business assets in Hong Kong amounted to HK\$13,241 million (2021: HK\$13,579 million), representing 74% (2021: 71%) of total business assets. Mainland business assets decreased to HK\$3,708 million (2021: HK\$4,433 million), representing 21% (2021: 23%) of total business assets.

### **Hotels**

Hotel properties, at cost less depreciation, amounted to HK\$6,572 million (2021: HK\$7,170 million), which comprised The Murray (HK\$5,856 million), MP Hong Kong (HK\$22 million) and Niccolo Suzhou (HK\$694 million).

### **Investment Properties**

IP amounted to HK\$5,005 million (2021: HK\$5,138 million), which comprised MP Hong Kong's commercial podium (HK\$4,441 million) and Star House units (HK\$564 million).

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

Total DP amounted to HK\$1,793 million (2021: HK\$2,227 million), mainly comprising SZIFS and those undertaken through associate and joint ventures amounting to HK\$835 million (2021: HK\$983 million).

### Equity Investments

Equity investments after certain disposals in the year were marked to market at HK\$3,192 million (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 17% (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\$90 million (2021: surplus of HK\$114 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:

	2022 HK\$ Million	2021 HK\$ Million
Analysed by industry sector:		
- Properties	2,677	2,920
- Others	515	466
Total	<u>3,192</u>	<u>3,386</u>
Analysed by geographical location:		
- Hong Kong	2,151	2,210
- Overseas	1,041	1,176
Total	<u>3,192</u>	<u>3,386</u>

### Pre-sale Deposits and Proceeds

Pre-sale deposits and proceeds decreased to HK\$222 million (2021: HK\$244 million) upon recognition of revenue.

### Net Debt and Gearing

At 31 December 2022, the Group had net debt of HK\$464 million (2021: HK\$361 million), consisting of HK\$634 million in cash (mainly held in Mainland China) and HK\$1,098 million in bank borrowings (mainly drawn in Hong Kong). Gearing remained low at 3% of total equity (2021: 2%).

### Finance and Availability of Facilities and Funds

As at 31 December 2022, the Group's available loan facilities amounted to HK\$2,649 million, of which HK\$1,098 million were utilised. Certain banking facilities were secured by hotel and DP in the Mainland of RMB1,318 million (equivalent to HK\$1,476 million) (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 31 December 2022, the Group also held a portfolio of liquid listed equity investments with an aggregate market value of HK\$3,192 million (2021: HK\$3,386 million), which is available for use if necessary.

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

For the year under review, the Group recorded a net cash outflow in operating activities of HK\$147 million (2021: inflow of HK\$1,130 million) primarily attributable to SZIFS construction payments. For investing activities, the Group incurred a net cash inflow of HK\$175 million (2021: HK\$243 million) mainly from net disposal of investments.

#### **Commitments to Capital and Development Expenditure**

As at 31 December 2022, major capital and development expenditure planned for the coming years totalled HK\$0.8 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) Dividend Policy**

Apart from compliance with the applicable legal requirements, the Company adopts a policy which targets to provide shareholders with reasonably stable and consistent dividends if possible and appropriate. Dividend payout from year to year will be subject to upward or downward adjustments as decided by the Board of Directors (the “Board”) after taking into account of the Group’s immediate as well as expected financial performance, cash flow, financial position, capital commitments and future requirements as well as the general business and economic environments.

The Board will review this policy from time to time with reference to its future prospect, capital requirements and other changing circumstances both internally and externally.

### **(IV) Human Resources**

The Group had approximately 1,200 employees as at 31 December 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 Year Ended 31 December 2022**

	Note	2022 <u>HK\$ Million</u>	2021 <u>HK\$ Million</u>
<b>Revenue</b>	2	<b>1,139</b>	4,484
Direct costs and operating expenses		<b>(650)</b>	(3,383)
Selling and marketing expenses		<b>(74)</b>	(181)
Administrative and corporate expenses		<b>(158)</b>	(109)
Operating profit before depreciation, interest and tax		<b>257</b>	811
Depreciation		<b>(228)</b>	(223)
<b>Operating profit</b>	2&3	<b>29</b>	588
Changes in fair value of investment properties		<b>(133)</b>	(10)
Impairment loss on hotel properties		<b>-</b>	(67)
Other net income	4	<b>-</b>	3
Finance costs	5	<b>(43)</b>	(34)
Share of results after tax of associate		<b>(68)</b>	(125)
(Loss)/profit before taxation		<b>(215)</b>	355
Income tax	6(a)	<b>(12)</b>	(323)
<b>(Loss)/profit for the year</b>		<b>(227)</b>	32
<b>(Loss)/profit attributable to:</b>			
Equity shareholders		<b>(197)</b>	(24)
Non-controlling interests		<b>(30)</b>	56
		<b>(227)</b>	32
<b>Loss per share</b>	7		
Basic		<b>(HK\$0.28)</b>	(HK\$0.03)
Diluted		<b>(HK\$0.28)</b>	(HK\$0.03)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For The Year Ended 31 December 2022**

	<b>2022</b>	2021
	<b>HK\$ Million</b>	HK\$ Million
<b>(Loss)/profit for the year</b>	<b>(227)</b>	32
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss:</b>		
Fair value changes on equity investments	<b>(90)</b>	114
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Exchange difference on translation of the operations - subsidiaries	<b>(140)</b>	77
Share of reserves of associate and joint ventures	<b>(79)</b>	29
<b>Others</b>	<b>(8)</b>	2
<b>Other comprehensive income for the year</b>	<b>(317)</b>	222
<b>Total comprehensive income for the year</b>	<b>(544)</b>	254
<b>Total comprehensive income attributable to:</b>		
Equity shareholders	<b>(489)</b>	185
Non-controlling interests	<b>(55)</b>	69
	<b>(544)</b>	254

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At 31 December 2022**

	Note	2022 HK\$ Million	2021 HK\$ Million
<b>Non-current assets</b>			
Investment properties		5,005	5,138
Hotel properties, plant and equipment		6,655	7,285
Interest in associate		815	962
Interest in joint ventures		20	21
Equity investments		3,192	3,386
Deferred tax assets		226	249
Other non-current assets		32	41
		<u>15,945</u>	<u>17,082</u>
<b>Current assets</b>			
Properties for sale		1,793	2,227
Inventories		8	10
Trade and other receivables	8	141	118
Prepaid tax		6	-
Bank deposits and cash		634	1,089
		<u>2,582</u>	<u>3,444</u>
Non-current assets classified as held for sale		322	-
		<u>2,904</u>	<u>3,444</u>
<b>Total assets</b>		<u>18,849</u>	<u>20,526</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		(326)	(353)
Bank loans		(581)	(1,450)
		<u>(907)</u>	<u>(1,803)</u>
<b>Current liabilities</b>			
Liabilities directly associated with the non-current assets classified as held for sale		(9)	-
Trade and other payables	9	(1,668)	(2,304)
Pre-sale deposits and proceeds		(222)	(244)
Taxation payable		(192)	(238)
Bank loans		(517)	-
		<u>(2,608)</u>	<u>(2,786)</u>
<b>Total liabilities</b>		<u>(3,515)</u>	<u>(4,589)</u>
<b>NET ASSETS</b>		<u>15,334</u>	<u>15,937</u>
<b>Capital and reserves</b>			
Share capital		3,641	3,641
Reserves		11,487	11,976
<b>Shareholders' equity</b>		<u>15,128</u>	<u>15,617</u>
<b>Non-controlling interests</b>		206	320
<b>TOTAL EQUITY</b>		<u>15,334</u>	<u>15,937</u>

## NOTES TO THE FINANCIAL INFORMATION

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

This financial information have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong). This financial information also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the 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.

The HKICPA has issued a number of amendments to HKFRSs which are first effective for the current accounting year of the Group. Of these, the following developments are relevant to the Group’s consolidated financial statements:

Amendments to HKAS 16	Property, plant and equipment – proceeds before intended use
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 for the current and prior periods have been prepared or presented.

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

The financial information relating to the financial years ended 31 December 2022 and 2021 included in this announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those financial years 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 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 and will deliver the financial statements for the year ended 31 December 2022 in due course. The Company’s auditor has reported on those financial statements for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; 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, 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 investments 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 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

	Revenue HK\$ Million	Operating profit/(loss) HK\$ Million	Changes in fair value of investment properties HK\$ Million	Other net income and impairment loss HK\$ Million	Finance costs HK\$ Million	Associate HK\$ Million	Profit/(loss) before taxation HK\$ Million
<b>2022</b>							
Hotels	577	(240)	-	-	(13)	-	(253)
Investment properties	217	189	(133)	-	(13)	-	43
Development properties	193	(61)	-	(85)	(17)	(68)	(231)
Investments	142	142	-	-	-	-	142
<b>Segment total</b>	<b>1,129</b>	<b>30</b>	<b>(133)</b>	<b>(85)</b>	<b>(43)</b>	<b>(68)</b>	<b>(299)</b>
Others	10	(1)	-	85	-	-	84
<b>Group total</b>	<b>1,139</b>	<b>29</b>	<b>(133)</b>	<b>-</b>	<b>(43)</b>	<b>(68)</b>	<b>(215)</b>
<b>2021</b>							
Hotels	580	(274)	-	(67)	(19)	-	(360)
Investment properties	193	161	(10)	-	(7)	-	144
Development properties	3,553	555	-	2	(8)	(125)	424
Investments	141	141	-	-	-	-	141
<b>Segment total</b>	<b>4,467</b>	<b>583</b>	<b>(10)</b>	<b>(65)</b>	<b>(34)</b>	<b>(125)</b>	<b>349</b>
Others	17	5	-	1	-	-	6
<b>Group total</b>	<b>4,484</b>	<b>588</b>	<b>(10)</b>	<b>(64)</b>	<b>(34)</b>	<b>(125)</b>	<b>355</b>

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

(b) **Analysis of segment business assets**

	<b>2022</b>	2021
	<b>HK\$ Million</b>	HK\$ Million
Hotels	<b>6,748</b>	7,404
Investment properties	<b>5,054</b>	5,145
Development properties	<b>2,995</b>	3,253
Investments	<b>3,192</b>	3,386
Total segment business assets	<b>17,989</b>	19,188
Unallocated corporate assets	<b>860</b>	1,338
Total assets	<b>18,849</b>	20,526

- (i) Hotels are stated at cost less accumulated depreciation and impairment losses. Should the completed hotel properties be stated based on the valuation as at 31 December 2022 of HK\$10,490 million (2021: HK\$11,099 million), the total segment business assets would be increased to HK\$21,907 million (2021: HK\$23,117 million).
- (ii) Unallocated corporate assets mainly comprise deferred tax assets and bank deposits and cash.

(c) **Geographical information**

	<b>Revenue</b>		<b>Operating profit/(loss)</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>HK\$ Million</b>	HK\$ Million	<b>HK\$ Million</b>	HK\$ Million
Hong Kong	<b>800</b>	739	<b>83</b>	26
Mainland China	<b>289</b>	3,695	<b>(104)</b>	512
Others	<b>50</b>	50	<b>50</b>	50
Group total	<b>1,139</b>	4,484	<b>29</b>	588

  

	<b>Specified non-current assets</b>		<b>Total business assets</b>	
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>HK\$ Million</b>	HK\$ Million	<b>HK\$ Million</b>	HK\$ Million
Hong Kong	<b>10,951</b>	11,254	<b>13,241</b>	13,579
Mainland China	<b>1,544</b>	2,152	<b>3,708</b>	4,433
Others	<b>-</b>	-	<b>1,040</b>	1,176
Group total	<b>12,495</b>	13,406	<b>17,989</b>	19,188

Specified non-current assets exclude equity investments, deferred tax assets and other non-current assets.

The geographical location of revenue and operating profit is analysed based on the location at which services are provided and in the case of equity investments, where they are listed. The geographical location of specified non-current assets and total business assets is based on the physical location of operations.

(d) **Disaggregation of revenue**

	<b>2022</b>	2021
	<b>HK\$ Million</b>	HK\$ Million
<b>Revenue recognised under HKFRS 15</b>		
Hotels	577	580
Management and services income and other rental related income	37	36
Sale of development properties	193	3,553
	<b>807</b>	4,169
<b>Revenue recognised under other accounting standards</b>		
Rental income under investment properties segment		
- Fixed	180	157
Investments	142	141
Others	10	17
	<b>332</b>	315
<b>Total revenue</b>	<b>1,139</b>	4,484

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:

	2022	2021
	HK\$ Million	HK\$ Million
<b>After charging:</b>		
Depreciation	228	223
Staff costs (Note i)	348	349
Auditors' remuneration (Note ii)	2	2
Cost of trading properties for recognised sales	183	2,862
Direct operating expenses of investment properties	17	24
	<b>217</b>	<b>193</b>
<b>After crediting:</b>		
Gross rental revenue from investment properties	217	193
Interest income	11	17
Dividend income from equity investments	142	141
Government grants (Note iii)	22	-

Notes:

- (i) Staff costs included defined contribution pension schemes costs HK\$14 million (2021: HK\$13 million), which included MPF schemes after a forfeited contribution of HK\$1 million (2021: HK\$1 million).
- (ii) Auditors' remuneration included less than HK\$1 million for other services.
- (iii) Government grants mainly included subsidy under the Employment Support Scheme in 2022.

### 4. OTHER NET INCOME

Other net income of HK\$Nil (2021: HK\$3 million), mainly comprised of a DP impairment provision of HK\$77 million (2021: HK\$Nil) for SZIFS and compensation of HK\$77 million (2021: HK\$Nil) recognised upon the termination, due to purchaser's default, of the disposal 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.

### 5. FINANCE COSTS

	2022	2021
	HK\$ Million	HK\$ Million
Interest on bank borrowings	36	33
Other finance costs	7	5
	<b>43</b>	<b>38</b>
Less: Amount capitalised	-	(4)
Total	<b>43</b>	<b>34</b>

## 6. INCOME TAX

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

	<b>2022</b>	2021
	<b>HK\$ Million</b>	HK\$ Million
<b>Current income tax</b>		
Hong Kong		
- provision for the year	<b>24</b>	16
- over-provision in respect of prior years	-	(1)
Mainland China		
- provision for the year	<b>8</b>	94
- over-provision in respect of prior years	<b>(11)</b>	-
	<b>21</b>	109
<b>Land appreciation tax (“LAT”) (Note (d))</b>	<b>8</b>	186
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>(17)</b>	28
<b>Total</b>	<b>12</b>	323

- (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 year.
- (c) Income tax on profits 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) Tax attributable to associate for the year ended 31 December 2022 of HK\$67 million (2021: credit of HK\$1 million) is included in the share of results of associate.

## 7. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the loss attributable to equity shareholders for the year of HK\$197 million (2021: HK\$24 million) and 708.8 million ordinary shares (2021: 708.8 million shares) in issue during the year.

The diluted loss per share is the same as the basic loss per share as there are no potential dilutive ordinary shares in existence during the years ended 31 December 2022 and 2021.

## 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 31 December 2022 as follows:

	<b>2022</b>	2021
	<b>HK\$ Million</b>	HK\$ Million
Trade receivables		
0 – 30 days	15	25
31 – 60 days	2	2
Over 60 days	3	2
	<hr/>	<hr/>
	20	29
Prepayments	37	49
Other receivables	8	5
Amount due from a non-controlling shareholder	-	11
Amounts due from fellow subsidiaries	76	24
	<hr/>	<hr/>
	<b>141</b>	<b>118</b>

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 31 December 2022 as follows:

	<b>2022</b>	2021
	<b>HK\$ Million</b>	HK\$ Million
Trade payables		
0 – 30 days	21	18
31 – 60 days	5	3
61 – 90 days	1	-
Over 90 days	-	1
	<hr/>	<hr/>
	27	22
Other payables and provisions	406	456
Construction costs payable	1,230	1,819
Amounts due to fellow subsidiaries	5	7
	<hr/>	<hr/>
	<b>1,668</b>	<b>2,304</b>

## **10. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to current year's presentation.

## **11. REVIEW OF RESULTS**

The financial results for the year ended 31 December 2022 have been reviewed with no disagreement by the Audit Committee of the Company. The figures in respect of the announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Company's Auditor to the amounts set out in the Group's consolidated financial statements for the year.

## CORPORATE GOVERNANCE CODE

During the financial year ended 31 December 2022, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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.

## 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 year under review.

## RELEVANT DATES FOR ANNUAL GENERAL MEETING (“AGM”)

Ex-entitlement date	26 April 2023 (Wed)
Latest time to lodge share transfer	4:30 p.m., 27 April 2023 (Thu)
Book closure period	28 April 2023 (Fri) to 4 May 2023 (Thu), both days inclusive
Record date	28 April 2023 (Fri)
AGM date and time	11:15 a.m., 4 May 2023 (Thu)

In order to be eligible for attending and voting at the AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Thursday, 27 April 2023.

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

Hong Kong, 2 March 2023

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