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HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 51

2021 Final Results Announcement

Still No Light at the End of the Tunnel

HIGHLIGHTS

- Two years of border closures posed serious endurance and attrition challenge to Hotels
- Low visibility for recovery
- No dividend will be paid for the year

GROUP RESULTS

Group loss attributable to equity shareholders amounted to HK\$24 million (2020: HK\$1,119 million). Excluding impairment provisions for hotels and revaluation deficits on investment properties, underlying net profit was HK\$40 million (2020: HK\$413 million, including one-off net tax write-back of HK\$361 million).

Underlying earnings per share decreased to HK\$0.06 (2020: HK\$0.58). Attributable loss to equity shareholders per share was HK\$0.03 (2020: HK\$1.58).

DIVIDENDS

No dividend will be paid in respect of the year ended 31 December 2021 (2020: special dividend of 14 HK cents per share).

BUSINESS REVIEW

Hong Kong

Hotel

Behind closed borders, punishing, loss-making market conditions continued. In the absence of external business, competition for local business heightened. Some turned to the quarantine business to seek shelter.

Throughout 2021, relaxation of social distancing measures and Government's Consumption Voucher Scheme spurred local consumption, particularly in the second half. However, new tightening measures since early January 2022 have back the Group's bars, restaurants and events business again. Both revenues and margins across the entire hotel sector continued to be depressed by the intense market competition and reliance on the local market only.

The Murray, Hong Kong, a Niccolo Hotel ("The Murray") performed well against this market backdrop, relying on outstanding asset and service quality and appealing themed staycation programmes. Driven by proactive marketing strategies and effective cost control, The Murray successfully turned around to achieve a gross operating profit while Marco Polo Hongkong Hotel ("MP Hong Kong") narrowed its loss. Revenue of this business segment increased by 52% and operating loss narrowed slightly.

Investment Properties ("IP")

Hong Kong retail sales registered only modest year-on-year growth as local demand picked up but tourist spending was still sorely missed. Spot rent showed stabilisation but negative rental reversion continued to weigh on the Group's IP rental income, partially offset by higher turnover rent. Investment in marketing and promotional initiatives increased. Declines in IP revenue and operating profit narrowed to 19% and 22%, respectively.

Mainland China

Hotel

Niccolo Suzhou has achieved an impressive performance since its opening in April 2021 and started to contribute gross operating profit from the first month, despite the negative impact of sporadic resurgence of COVID-19 cases throughout the second half of the year. Located in the prestigious Jinji lakeside precinct, the sky-high hotel atop Suzhou International Finance Square ("SZIFS") features 233 spacious, chic and elegant guestrooms including 20 suites.

Marco Polo Changzhou ("MP Changzhou") suffered from operating losses due to the poor market conditions and increased competition from new hotels. Agreement to dispose of this hotel was signed on 18 February 2022 with target completion in July 2022. The hotel served its last customer at the end of February 2022.

Properties

Development properties ("DP") revenue increased to HK\$3,553 million and operating profit to HK\$555 million, mainly driven by the handover of SZIFS which was fully completed in 2021. In view of the slow-moving remaining stock in 27%-owned Shanghai South Station project, an impairment provision of HK\$125 million has been made for the full year of 2021.

FINANCIAL REVIEW

(I) Review of 2021 Results

The Group's underlying net profit decreased to HK\$40 million (2020: HK\$413 million which included a one-off net tax write-back of HK\$361 million for DP). IP decreased by 22% to HK\$139 million (2020: HK\$178 million). DP decreased by 89% to HK\$45 million (2020: HK\$421 million). Hotel's loss was reduced by 14% to HK\$287 million (2020: HK\$332 million).

Including the net IP revaluation deficits of HK\$10 million (2020: HK\$555 million) and impairment provision on hotel properties of HK\$54 million (2020: HK\$977 million), the Group recorded a net loss of HK\$24 million attributable to equity shareholders (2020: HK\$1,119 million).

Revenue and Operating Profit

Group revenue increased by 35% to HK\$4,484 million (2020: HK\$3,313 million) and operating profit by 15% to HK\$588 million (2020: HK\$510 million) mainly due to higher DP sales recognition.

Hotels revenue increased to HK\$580 million (2020: HK\$381 million) while operating loss narrowed to HK\$274 million (2020: HK\$295 million). Hong Kong hotels recorded revenue growth to HK\$457 million (2020: HK\$344 million) and reduced operating losses to HK\$218 million (2020: HK\$273 million), attributable to increasing local business. Mainland hotels also recorded revenue growth but increased operating losses to HK\$56 million (2020: HK\$22 million), partly due to Niccolo Suzhou opening in April 2021.

IP revenue and operating profit decreased by 19% to HK\$193 million (2020: HK\$238 million) and 22% to HK\$161 million (2020: HK\$207 million), respectively, mainly resulting from lower rental reversions on lease renewals. Amortisation of rent relief offered to tenants in 2020 and 2021 was completed by the end of 2021.

DP revenue increased to HK\$3,553 million (2020: HK\$2,534 million) and operating profit to HK\$555 million (2020: HK\$448 million), mainly due to sales recognition for SZIFS units.

Investments operating profit, mainly from dividend income, maintained at HK\$141 million (2020: HK\$143 million).

IP Revaluation Change

IP were stated at fair value, principally based on an independent valuation as at 31 December 2021, giving rise to a revaluation deficit of HK\$10 million (2020: HK\$598 million) which was debited to the consolidated income statement.

Hotel Impairment

Included in the results was an impairment provision of HK\$67 million (2020: HK\$1,051 million) for Niccolo Suzhou. The attributable net provision of HK\$54 million (2020: HK\$977 million) was charged to the consolidated income statement.

Finance Cost

Net finance cost amounted to HK\$34 million (2020: HK\$51 million) after interest capitalisation of HK\$4 million (2020: HK\$16 million).

Share of Results (after Tax) of Associates

Attributable loss of associates amounted to HK\$125 million (2020: HK\$75 million), which is mainly attributable to provision made on the properties under development for sales, Shanghai South Station joint-venture project.

Income Tax

Taxation charge for the year amounted to HK\$323 million (2020: credit of HK\$175 million, which included a one-off land appreciation tax write-back of HK\$504 million), principally attributable to DP profit.

Loss Attributable to Equity Shareholders

Group loss attributable to equity shareholders for the year was HK\$24 million (2020: HK\$1,119 million). Loss per share was HK\$0.03 (2020: HK\$1.58) based on 708.8 million issued shares.

Group underlying net profit (a performance indicator of the Group's major business segments), after excluding attributable net IP revaluation deficits of HK\$10 million (2020: HK\$555 million) and impairment provision for hotel properties of HK\$54 million (2020: HK\$977 million), was HK\$40 million (2020: HK\$413 million). Earnings per share before hotel property impairment provision and IP revaluation deficits were HK\$0.06 (2020: HK\$0.58).

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

Shareholders' and Total Equity

As at 31 December 2021, shareholders' equity slightly increased to HK\$15,617 million (2020: HK\$15,482 million), equivalent to HK\$22.03 per share (2020: HK\$21.84 per share). The increase was mainly attributable to investment revaluation and exchange reserves. Including non-controlling interests, the Group's total equity amounted to HK\$15,937 million (2020: HK\$15,929 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 2021 would give rise to a revaluation surplus of HK\$3,929 million and increase the Group's shareholders' equity as at 31 December 2021 to HK\$19,546 million, equivalent to HK\$27.58 per share.

Assets and Liabilities

Total assets were reported at HK\$20,526 million (2020: HK\$23,967 million). Total business assets, excluding bank deposits and cash as well as deferred tax assets, amounted to HK\$19,188 million (2020: HK\$22,370 million).

Geographically, business assets in Hong Kong decreased to HK\$13,579 million (2020: HK\$14,194 million), representing 71% (2020: 63%) of the Group's total business assets. Mainland business assets decreased to HK\$4,433 million (2020: HK\$7,242 million), representing 23% (2020: 32%) of total business assets.

Hotels

Hotel properties amounted to HK\$7,170 million (2020: HK\$7,144 million), which comprised The Murray (HK\$6,001 million), MP Hong Kong (HK\$22 million), MP Changzhou (HK\$354 million) and Niccolo Suzhou (HK\$793 million).

Investment Properties

IP amounted to HK\$5,138 million (2020: HK\$5,148 million), which comprised MP Hong Kong's podium (HK\$4,566 million) and Star House units (HK\$572 million).

Properties for Sale/Interests in Associates and Joint Ventures

DP amounted to HK\$2,227 million (2020: HK\$4,947 million), mainly representing the DP portion of SZIFS. DP undertaken through associates and joint ventures amounted to HK\$983 million (2020: HK\$1,082 million).

Equity Investments

Equity investments were marked to market at HK\$3,386 million (2020: HK\$3,546 million), including mainly blue-chip equity investment held for long term growth and dividend return. The value of the whole portfolio represents 16% (2020: 15%) of the Group's total assets and each investment within which is individually not material at less than 5% of the Group's total assets for risk diversification. Marking these investments to market produced a net surplus of HK\$114 million (2020: deficit of HK\$540 million) as reflected in the Other Comprehensive Income Statement within which a total of 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:

	2021 HK\$ Million	2020 HK\$ Million
Analysed by industry sector:		
- Properties	2,920	2,982
- Others	466	564
Total	<u>3,386</u>	<u>3,546</u>
Analysed by geographical location:		
- Hong Kong	2,210	2,611
- Overseas	1,176	935
Total	<u>3,386</u>	<u>3,546</u>

Pre-sale Deposits and Proceeds

Pre-sale deposits and proceeds decreased to HK\$244 million (2020: HK\$2,044 million) upon recognition of revenue.

Net Debt and Gearing

At 31 December 2021, the Group had net debt of HK\$361 million (2020: HK\$1,516 million), consisting of HK\$1,089 million in cash (mainly held in Mainland China) and HK\$1,450 million in bank borrowings (mainly drawn in Hong Kong). Gearing remained low at 2% of total equity (2020: 10%).

Finance and Availability of Facilities and Funds

As at 31 December 2021, the Group's available loan facilities amounted to HK\$4,462 million, of which HK\$1,450 million were utilised. Certain banking facilities were secured by hotel and development properties in the Mainland of HK\$1,648 million (equivalent to RMB1,347 million) (2020: bank deposits in the Mainland of HK\$356 million (equivalent to RMB300 million)).

The Group's debts were principally denominated in Hong Kong dollars ("HKD") 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 HKD and RMB to facilitate business and investment activities. As at 31 December 2021, the Group also held a portfolio of liquid listed equity investments with an aggregate market value of HK\$3,386 million (2020: HK\$3,546 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 inflow in operating activities of HK\$1,130 million (2020: HK\$170 million) primarily attributable to sales proceeds from SZIFS projects. For investing activities, the Group generated a net cash inflow of HK\$243 million (2020: HK\$152 million) mainly from sale of investments net of SZIFS construction payments.

Commitments to Capital and Development Expenditure

As at 31 December 2021, major capital and development expenditure planned for the coming years totalled HK\$0.9 billion which was 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. Dividend payout from year to year will be subject to upward or downward adjustments as decided by the Board after taking into account of the Group's immediate as well as expected prevailing 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 1,400 employees as at 31 December 2021. 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 2021

	Note	2021 <u>HK\$ Million</u>	2020 <u>HK\$ Million</u>
Revenue	2	4,484	3,313
Direct costs and operating expenses		(3,383)	(2,398)
Selling and marketing expenses		(181)	(125)
Administrative and corporate expenses		(109)	(78)
Operating profit before depreciation, interest and tax		811	712
Depreciation		(223)	(202)
Operating profit	2&3	588	510
Changes in fair value of investment properties		(10)	(598)
Impairment loss on hotel properties	4	(67)	(1,051)
Other net income		3	5
Finance costs	5	(34)	(1,134)
Share of results after tax of associates		(125)	(75)
Profit/(loss) before taxation		355	(1,260)
Income tax	6(a)	(323)	175
Profit/(loss) for the year		32	(1,085)
Profit/(loss) attributable to:			
Equity shareholders		(24)	(1,119)
Non-controlling interests		56	34
		32	(1,085)
Loss per share	7		
Basic		(HK\$0.03)	(HK\$1.58)
Diluted		(HK\$0.03)	(HK\$1.58)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2021

	2021	2020
	HK\$ Million	HK\$ Million
Profit/(loss) for the year	32	(1,085)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	114	(540)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of the operations - subsidiaries	105	227
Share of reserves of joint ventures	1	5
Others	2	11
Other comprehensive income for the year	222	(297)
Total comprehensive income for the year	254	(1,382)
Total comprehensive income attributable to:		
Equity shareholders	185	(1,446)
Non-controlling interests	69	64
	254	(1,382)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2021

	Note	2021 HK\$ Million	2020 HK\$ Million
Non-current assets			
Investment properties		5,138	5,148
Hotel properties, plant and equipment		7,285	7,267
Interest in associates		962	1,059
Interest in joint ventures		21	23
Equity investments		3,386	3,546
Deferred tax assets		249	303
Other non-current assets		41	34
		<u>17,082</u>	<u>17,380</u>
Current assets			
Properties for sale		2,227	4,947
Inventories		10	10
Trade and other receivables	9	118	214
Prepaid tax		-	122
Bank deposits and cash		1,089	1,294
		<u>3,444</u>	<u>6,587</u>
Total assets		<u>20,526</u>	<u>23,967</u>
Non-current liabilities			
Deferred tax liabilities		(353)	(378)
Bank loans		(1,450)	(2,310)
		<u>(1,803)</u>	<u>(2,688)</u>
Current liabilities			
Trade and other payables	10	(2,304)	(2,600)
Pre-sale deposits and proceeds		(244)	(2,044)
Taxation payable		(238)	(206)
Bank loans		-	(500)
		<u>(2,786)</u>	<u>(5,350)</u>
Total liabilities		<u>(4,589)</u>	<u>(8,038)</u>
NET ASSETS		<u>15,937</u>	<u>15,929</u>
Capital and reserves			
Share capital		3,641	3,641
Reserves		11,976	11,841
Shareholders' equity		<u>15,617</u>	<u>15,482</u>
Non-controlling interests		320	447
TOTAL EQUITY		<u>15,937</u>	<u>15,929</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 Hong Kong Financial Reporting Standards (“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 2020 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 financial statements:

Amendments to HKAS 39, HKFRS 4, Interest rate benchmark reform – Phase 2
HKFRS 7, HKFRS 9 and HKFRS 16

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 2021 and 2020 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 2020 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 2021 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, Hong Kong, a Niccolo Hotel (“The Murray”), Marco Polo Hongkong Hotel (“MP Hong Kong”), Marco Polo Changzhou (“MP Changzhou”) 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 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 and 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	Associates HK\$ Million	Profit/(loss) before taxation HK\$ Million
2021							
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
Segment total	4,467	583	(10)	(65)	(34)	(125)	349
Others	17	5	-	1	-	-	6
Group total	4,484	588	(10)	(64)	(34)	(125)	355
2020							
Hotels	381	(295)	-	(1,051)	(37)	-	(1,383)
Investment properties	238	207	(598)	-	(14)	-	(405)
Development properties	2,534	448	-	5	-	(75)	378
Investments	143	143	-	-	-	-	143
Segment total	3,296	503	(598)	(1,046)	(51)	(75)	(1,267)
Others	17	7	-	-	-	-	7
Group total	3,313	510	(598)	(1,046)	(51)	(75)	(1,260)

- (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

	2021	2020
	HK\$ Million	HK\$ Million
Hotels	7,404	7,380
Investment properties	5,145	5,191
Development properties	3,253	6,253
Investments	3,386	3,546
Total segment business assets	19,188	22,370
Unallocated corporate assets	1,338	1,597
Total assets	20,526	23,967

- (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 2021 of HK\$11,099 million (2020: HK\$10,414 million), the total segment business assets would be increased to HK\$23,117 million (2020: HK\$26,201 million).
- (ii) Unallocated corporate assets mainly comprise deferred tax assets and bank deposits and cash.

(c) Geographical information

	Revenue		Operating profit	
	2021	2020	2021	2020
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	739	676	26	21
Mainland China	3,695	2,587	512	439
Others	50	50	50	50
Group total	4,484	3,313	588	510

	Specified non-current assets		Total business assets	
	2021	2020	2021	2020
	HK\$ Million	HK\$ Million	HK\$ Million	HK\$ Million
Hong Kong	11,254	11,434	13,579	14,194
Mainland China	2,152	2,063	4,433	7,242
Others	-	-	1,176	934
Group total	13,406	13,497	19,188	22,370

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**

	2021	2020
	HK\$ Million	HK\$ Million
Revenue recognised under HKFRS 15		
Hotels	580	381
Management and services income and other rental related income	36	37
Sale of development properties	3,553	2,534
	4,169	2,952
Revenue recognised under other accounting standards		
Rental income under investment properties segment		
- Fixed	157	201
Investments	141	143
Others	17	17
	315	361
Total revenue	4,484	3,313

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:

	2021	2020
	HK\$ Million	HK\$ Million
After charging:		
Depreciation	223	202
Staff costs (Note i)	349	273
Auditors' remuneration (Note ii)	2	3
Cost of trading properties for recognised sales	2,862	1,994
Direct operating expenses of investment properties	24	21
	193	238
After crediting:		
Gross rental revenue from investment properties	193	238
Interest income	17	17
Dividend income from equity investments	141	143
Government grants (Note iii)	-	53

Notes:

- (i) Staff costs included defined contribution pension schemes costs HK\$13 million (2020: HK\$12 million), which included MPF schemes after a forfeited contribution of HK\$1 million (2020: 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 2020.

4. IMPAIRMENT LOSS ON HOTEL PROPERTIES

The Group's hotel properties are stated at cost less accumulated depreciation and impairment losses. The carrying amounts of hotel properties are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated.

The recoverable amount of hotel properties is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to hotel properties.

In assessing the impairments, the Group engaged Knight Frank Petty Limited ("Knight Frank"), an independent firm of professional surveyors with extensive experience in valuing properties in Hong Kong and Mainland China. Knight Frank has valued the Group's hotel properties on a market value basis and has taken into account the net income of the respective properties, allowing for reversionary potential where appropriate.

Based on the Group's assessment with reference to Knight Frank's independent valuation, an impairment of HK\$67 million (2020: HK\$369 million) for Niccolo Suzhou in Mainland China was recognised during the year, there were no impairment for MP Changzhou in Mainland China (2020: HK\$6 million) and The Murray in Hong Kong (2020: HK\$676 million), the carrying value after an impairment amounted to HK\$793 million (2020: HK\$560 million) for Niccolo Suzhou.

For the independent valuation, key assumptions used in the discounted cash flows included long-term growth rate of room rate at 3.5% (2020: ranging from 3% to 4%), long-term occupancy rate at 75% (2020: ranging from 71% to 75%), discount rate at 6.5% (2020: ranging from 5.5% to 6.5%) and the projected net cash flows for the remaining lease term.

The above methodology and key assumptions adopted for determining the impairment for hotel properties for the year ended 31 December 2021 were not significantly changed from the methodology and key assumptions adopted by the Group for the year ended 31 December 2020.

5. FINANCE COSTS

	2021	2020
	HK\$ Million	HK\$ Million
Interest on bank borrowings	33	60
Other finance costs	5	7
	38	67
Less: Amount capitalised	(4)	(16)
Total	34	51

6. INCOME TAX

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

	2021	2020
	HK\$ Million	HK\$ Million
Current income tax		
Hong Kong		
- provision for the year	16	15
- over-provision in respect of prior years	(1)	-
Mainland China		
- provision for the year	94	148
	109	163
Land appreciation tax (“LAT”) (Note (d))	186	(473)
Deferred tax		
Origination and reversal of temporary differences	28	135
Total	323	(175)

- (b) The provision for Hong Kong profits tax is at the rate of 16.5% (2020: 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% (2020: 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. A one-off LAT write-back of HK\$504 million was recorded upon clearance with relevant tax authorities in 2020.
- (e) Tax credit attributable to associates for the year ended 31 December 2021 of HK\$1 million (2020: expense of HK\$21 million) 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 year of HK\$24 million (2020: HK\$1,119 million) and 708.8 million ordinary shares (2020: 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 year ended 31 December 2021 and 2020.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2021	2021	2020	2020
	HK\$	HK\$	HK\$	HK\$
	Per share	Million	Per share	Million
First special interim dividend declared and paid	-	-	0.07	50
Second special interim dividend declared after the end of the reporting period	-	-	0.07	50
	-	-	0.14	100

- (a) The second special interim dividend of HK\$50 million for 2020 was approved and paid in 2021.

9. 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 2021 as follows:

	2021	2020
	HK\$ Million	HK\$ Million
Trade receivables		
0 – 30 days	25	10
31 – 60 days	2	4
Over 60 days	2	3
	29	17
Prepayments	49	113
Other receivables	5	31
Amount due from a non-controlling shareholder	11	10
Amounts due from fellow subsidiaries	24	43
	118	214

The Group has established credit policies for each of its core business. 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.

10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on invoice date as at 31 December 2021 as follows:

	2021	2020
	HK\$ Million	HK\$ Million
Trade payables		
0 – 30 days	18	17
31 – 60 days	3	1
Over 90 days	1	1
	22	19
Other payables and provisions	456	506
Construction costs payable	1,819	2,067
Amounts due to fellow subsidiaries	7	8
	2,304	2,600

11. EVENTS AFTER THE REPORTING PERIOD

On 18 February 2022, the Group entered into an agreement to dispose the entire equity interest in 九龍倉(常州)置業有限公司 (Wharf (Changzhou) Estates Company Limited) at a consideration of RMB402.9 million (equivalent to approximately HK\$492.8 million) (the “Disposal”). Further details of the Disposal are set out in the announcement dated 18 February 2022.

12. REVIEW OF RESULTS

The financial results for the year ended 31 December 2021 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 2021 have been agreed by the Company’s Auditors 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 2021, 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 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 2022 (Tue)
Latest time to lodge share transfer	4:30 p.m., 27 April 2022 (Wed)
Book closure period	28 April 2022 (Thu) to 4 May 2022 (Wed), both days inclusive
Record date	28 April 2022 (Thu)
AGM date/time	11:15 a.m., 4 May 2022 (Wed)

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 Registrars, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 27 April 2022.

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

Hong Kong, 1 March 2022

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.