HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 51

2020 Final Results Announcement

Catastrophic Results from Pandemic

HIGHLIGHTS

- 2020 was by far the most difficult year in memory for the Hotel sector
- Hotel revenue decreased by 60% to HK$331 million to lead to an operating loss of HK$344 million (operating margin -104%) before Employment Support Scheme
- Investment Properties ("IP") also suffered from a decimated Retail sector with revenue decreasing by 36% and operating profit by 39%
- Underlying net loss was averted only due to an unexpected one-time tax write-back of HK$504 million from Development Properties ("DP")
- However, impairment provisions against hotel investments and IP revaluation deficits reduced Group profit to a loss of HK$1,119 million
- Under these extreme market conditions, the Board of Directors (the "Board") has cancelled both the first interim dividend (2019: 7 HK cents per share) and the second interim dividend (2019: 15 HK cents per share)
- In view of the one-time tax write-back, a special interim dividend of 7 HK cents per share (2019: Nil) paid in September 2020 and a second special interim dividend of 7 HK cents per share (2019: Nil) will be paid in April 2021

GROUP RESULTS

Group revenue increased by 137% to HK$3,313 million (2019: HK$1,395 million), due to phased completion of DP project Suzhou International Finance Square ("SZIFS"). However, operating profit decreased by 4% to HK$510 million (2019: HK$531 million), underlying net profit decreased by 5% to HK$413 million (2019: HK$435 million), and loss attributable to equity shareholders, including IP revaluation changes, amounted to HK$1,119 million (2019: profit of HK$117 million).

Underlying earnings per share decreased to HK$0.58 (2019: HK$0.61). Attributable loss per share was HK$1.58 (2019: earnings per share HK$0.17).

DIVIDENDS

The Board has resolved not to declare any regular dividend for the year ended 31 December 2020. However, as a non-recurrent distribution, a second special interim dividend of 7 HK cents (2019: Nil) per share will be paid on 21 April 2021 to Shareholders on record as at 6:00 p.m. on 24 March 2021. Together with the special interim dividend of 7 HK cents per share paid on 1 September 2020, total distribution for the year of 2020 will amount to 14 HK cents (2019: 22 HK cents) per share.

BUSINESS REVIEW

Hong Kong

Investment Properties

Extreme market conditions brought about by the pandemic imposed intense pressure on the retail market.

Various rounds of social distancing measures throughout the year, including bursts of closure affecting dine-ins and cinemas, have taken a heavy toll on the Group's tenants. Rental concession and significant investment to promote sales were made. Hence, IP revenue and operating profit decreased by 36% and 39% respectively.

The portfolio was revalued down by 7% by the independent property valuer in view of the current market conditions.

Hotel

With vanished inbound tourists, Hotel sector was one of the worst hit. Local "staycation" business became the only meaningful source of income. As a result, hotel revenue plummeted by 54% and a material operating loss was reported.

As consolation in the midst of this industry gloom, the signature experiences of The Murray, Hong Kong ("The Murray") enabled it to stand out to achieve enviable occupancy and the highest revenue per available room ("RevPAR") among its direct competitors. The Murray is also proud to become the only Hong Kong hotel in The Leading Hotels of the World exclusive loyalty program to reach a wider range of guests seeking exceptional travel experiences, and will be ready when inbound travel revives to be ahead of the curve.

During the year, Marco Polo Hongkong Hotel ("MP Hong Kong") was also selected among the Top 10 'Best Hotels & Resorts in Hong Kong' in the 2020 DestinAsian Readers' Choice Awards for the third consecutive year. Cucina Restaurant also achieved the much-coveted global Forbes 4 Star rating of only six venues in Hong Kong.

Mainland China

Properties

Exit from the DP segment is well underway to sell the remaining units at the 80%-owned SZIFS and 27%-owned Shanghai South Station project. Due to phased completion of SZIFS, revenue increased to HK$2,534 million and operating profit to HK$448 million.

As at the end of 2020, the Group's attributable land bank (net of recognised sales) was approximately 0.4 million square metres. Net order book amounted to RMB2.0 billion for 67,000 square metres. Other phases in SZIFS are expected to be completed in 2021.

Hotel

Amidst the poor market conditions, COVID-19 restrictions and increased competition in nearby regions, Marco Polo Changzhou ("MP Changzhou") continued to suffer an operating loss.

The new luxury hotel at the top of SZIFS is counting down to soft opening on 1 April 2021 as Niccolo Suzhou, operated by sister company Wharf Hotels Management Limited. It will comprise 233 spacious, contemporary chic guest rooms and will command a stunning view of Jinji Lake. Three Niccolo Hotels opened in Chengdu, Chongqing and Changsha since 2015 have quickly established themselves as market leaders.

OUTLOOK

While the vaccine breakthrough brings hope amid the pandemic, full resumption of cross-border travel may still take an extended period. Gradual and orderly relaxation of cross-border quarantine measures with Mainland China and other key short-haul regions is top priority to help save the beleaguered sector.

As a significant increase in cross-border demand is unlikely in the near term, 2021 will be no less challenging than 2020, particularly with government relief likely to be substantially scaled back. The Group keep navigating the storm by innovative promotion and marketing efforts to capture local spending. Meanwhile, the Group continues to exercise strict cost control and defer all non-essential capital expenditures to conserve cash.

In Mainland China, the Group's 233-room luxury hotel Niccolo Suzhou is counting down to soft opening on 1 April 2021.

Looking into 2021 and beyond, the road to recovery would be challenging, while the development of pandemic continues to lead the way to paradigm shifts in different business aspects. The Group is proactively refining the business strategies to embrace the fundamental shifts and structural change, which is the key to excel in the era of new normal.

FINANCIAL REVIEW

(I) Review of 2020 Final Results

Amid the protracted disruptions caused by COVID-19, Hotel segment incurred unprecedented losses while IP segment recorded significant decrease in profit. Timely recognition of DP sales helped to avert an underlying net loss, while a one-off net tax write-back of HK$361 million enabled the Group to report an underlying net profit of HK$413 million (2019: HK$435 million). However, after revaluation deficits for IP and hotels, the Group recorded a net loss of HK$1,119 million (2019: profit of HK$117 million) attributable to shareholders.

Revenue and Operating Profit

Group revenue increased by 137% to HK$3,313 million (2019: HK$1,395 million) principally due to recognition of DP sales of SZIFS units. Notwithstanding increase in revenue, operating profit decreased by 4% to HK$510 million (2019: HK$531 million) with losses incurred by Hotel and lower contribution from IP.

Hotel segment was the hardest hit, with revenue nosediving to HK$381 million (2019: HK$835 million), resulting in an operating loss of HK$295 million (2019: loss of HK$76 million). The losses have been mitigated by proactive cost controls and Government subsidies of HK$53 million. Excluding Government subsidies, Hotel operating loss would increase to HK$348 million.

IP segment revenue decreased by 36% to HK$238 million (2019: HK$373 million) and operating profit by 39% to HK$207 million (2019: HK$341 million) due to decimation of turnover rent and base rent concessions offered to retail tenants.

DP revenue increased to HK$2,534 million (2019: HK$38 million) on completion of the first phase of SZIFS, contributing operating profit of HK$448 million (2019: HK$131 million). Including one-off fair value write-down for Shanghai South Station project, DP recorded an underlying net profit of HK$421 million (2019: HK$166 million).

Investment operating profit, primarily from dividend income, increased by 22% to HK$143 million (2019: HK$117 million).

IP Revaluation Change

IP were stated at fair value, principally based on an independent valuation as at 31 December 2020, giving rise to a revaluation deficit of HK$598 million (2019: HK$161 million). An attributable net revaluation deficit of HK$555 million (2019: HK$161 million) was debited to the consolidated income statement.

Hotel Impairment
Impairment provision for hotels of HK$1,051 million (2019: HK$157 million) was made mainly for The Murray in Hong Kong and Niccolo Suzhou based on independent valuations, reflecting the prevailing weak market conditions. An attributable net impairment provision of HK$977 million (2019: HK$157 million) was debited to the consolidated income statement.

Finance Costs
Net finance costs amounted to HK$51 million (2019: HK$53 million) after interest capitalisation of HK$16 million (2019: HK$41 million) for the DP projects.

Share of Results (after Tax) of Associates
Attributable loss from associate amounted to HK$75 million (2019: profit of HK$76 million).

Income Tax
Taxation credit for the year amounted to HK$175 million (2019: expense of HK$89 million) mainly due to a one-off land appreciation tax write-back of HK$504 million for DP upon clearance with relevant tax authorities.

Profit/Loss Attributable to Equity Shareholders
Group loss attributable to equity shareholders for the year was HK$1,119 million (2019: profit of HK$117 million). Loss per share was HK$1.58 (2019: earnings per share ("EPS") HK$0.17) based on 708.8 million issued shares.

Excluding the net IP revaluation deficits of HK$555 million (2019: HK$161 million) and net impairment provision for hotel properties of HK$977 million (2019: HK$157 million), underlying net profit (a performance indicator of the Group's major business segments and arrived at after excluding the attributable net IP revaluation loss and hotel impairment) attributable to equity shareholders for the year was HK$413 million (2019: HK$435 million), representing a decrease of 5%. EPS before hotel property provision and IP revaluation deficits were HK$0.58 (2019: HK$0.61) based on 708.8 million issued shares.

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

Shareholders' and Total Equity

As at 31 December 2020, shareholders' equity decreased to HK$15,482 million (2019: HK$17,084 million), equivalent to HK$21.84 per share (2019: HK$24.10 per share). The decrease was mainly due to the reporting attributable loss of HK$1,119 million and investment revaluation deficit of HK$540 million directly dealt with in reserves. Including non-controlling interests, the Group's total equity amounted to HK$15,929 million (2019: HK$17,467 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 2020 would give rise to a revaluation surplus of HK$3,831 million and increase the Group's shareholders' equity as at 31 December 2020 to HK$19,313 million, equivalent to HK$27.25 per share.

Assets and Liabilities

Total assets were reported at HK$23,967 million (2019: HK$28,385 million). Total business assets, excluding bank deposits and cash and deferred tax assets, amounted to HK$22,370 million (2019: HK$26,101 million).

Geographically, the Group's business assets in Hong Kong decreased to HK$14,194 million (2019: HK$15,616 million), representing 63% (2019: 60%) of the Group's total business assets. Mainland business assets decreased to HK$7,242 million (2019: HK$9,212 million), representing 32% (2019: 35%) of the Group's total business assets.

Hotels

Hotel properties comprised of The Murray (HK$6,145 million), MP Hong Kong (HK$22 million), MP Changzhou (HK$417 million) and Niccolo Suzhou (HK$560 million in its current state under development) together with total net book value at HK$7,144 million (2019: HK$7,408 million).

Investment Properties

IP amounted to HK$5,148 million (2019: HK$6,480 million), all of which in Hong Kong (2019: HK$5,532 million) after reclassification of the IP portion of SZIFS to hotel on completion by end of June 2020.

Properties for Sale/Interests in Associates and Joint Ventures

DP amounted to HK$4,947 million (2019: HK$4,777 million), mainly representing the DP portion of SZIFS with its remaining outstanding construction cost accrued upon completion by end of the year. DP undertaken through associates and joint ventures amounted to HK$1,082 million (2019: HK$2,853 million).

Equity Investments

Equity investments amounted to HK$3,546 million (2019: HK$4,065 million), including mainly blue-chip equity investment held for long term growth and reliable dividend return. The value of the whole portfolio represents 15% (2019: 14%) of the Group's total assets and each investment within which is individually not material and less than 5% of the Group's total assets for risk diversification. The portfolio recorded revaluation deficit of HK$540 million (2019: surplus of HK$10 million) as other comprehensive income with accumulated revaluation deficit of HK$80 million (2019: surplus of HK$460 million).

Pre-sale Deposits and Proceeds

Pre-sale deposits and proceeds decreased by HK$1,128 million to HK$2,044 million (2019: HK$3,172 million) upon recognition of revenue exceeding further contracted sales.

Net Debt and Gearing

At 31 December 2020, the Group had net debt of HK$1,516 million (2019: HK$1,725 million), consisting of HK$1,294 million in cash (mainly held in Mainland China) and HK$2,810 million in bank borrowings (mainly drawn in Hong Kong). Notwithstanding the reported losses, mainly resulting from Hotel's performance and revaluation of assets amid COVID-19 pandemic, liquidity position of the Group remains healthy with ample financial resources for foreseeable commitments and working capital requirements. Gearing also remains low and was at 10% on total equity as at 31 December 2020 (2019: 10%).

Finance and Availability of Facilities and Funds

As at 31 December 2020, the Group's available loan facilities amounted to HK$4,991 million, of which HK$2,810 million were utilised. Certain banking facilities were secured by bank deposits of HK$356 million (equivalent of RMB300 million) (31 December 2019: mortgage over the Group's properties held for sales with total carrying value of HK$5,701 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 2020, the Group had also accumulated a portfolio of liquid listed equity investments with an aggregate market value of HK$3,546 million (2019: HK$4,065 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$170 million (2019: HK$1,007 million) primarily attributable to sales proceeds from SZIFS project exceeding construction cost and tax payments of Mainland projects. For investing activities, the Group generated a net cash inflow of HK$152 million (2019: outflow HK$1,858 million) mainly from Shanghai South Station project.

Commitments to Capital and Development Expenditure
As at 31 December 2020, major capital and development expenditure planned for the forthcoming years totalled HK$1.4 billion, of which HK$0.4 billion was committed for Mainland DP and hotel.

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 1,200 employees as at 31 December 2020. 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 2020

	Note	**2020 HK$ Million**	2019 HK$ Million
Revenue	2	**3,313**	1,395
Direct costs and operating expenses		**(2,398)**	(437)
Selling and marketing expenses		**(125)**	(121)
Administrative and corporate expenses		**(78)**	(90)
Operating profit before depreciation, interest and tax		**712**	747
Depreciation		**(202)**	(216)
Operating profit	2&3	**510**	531
Changes in fair value of investment properties		**(598)**	(161)
Impairment loss on hotel properties	4	**(1,051)**	(157)
Other net income		**5**	-
		(1,134)	213
Finance costs	5	**(51)**	(53)
Share of results after tax of associates		**(75)**	76
(Loss)/profit before taxation		**(1,260)**	236
Income tax	6(a)	**175**	(89)
(Loss)/profit for the year		**(1,085)**	147
(Loss)/profit attributable to:			
Equity shareholders		**(1,119)**	117
Non-controlling interests		**34**	30
		(1,085)	147
(Loss)/earnings per share	7		
Basic		**(HK$1.58)**	HK$0.17
Diluted		**(HK$1.58)**	HK$0.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2020

	2020 **HK$ Million**	2019 HK$ Million
(Loss)/profit for the year	**(1,085)**	147
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	**(540)**	10
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of the operations - subsidiaries	**227**	(130)
Share of reserves of joint ventures	**5**	(3)
Others	**11**	8
Other comprehensive income for the year	**(297)**	(115)
Total comprehensive income of the year	**(1,382)**	32
Total comprehensive income attributable to:		
Equity shareholders	**(1,446)**	21
Non-controlling interests	**64**	11
	(1,382)	32

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020

	Note	**2020** **HK$ Million**	2019 HK$ Million
Non-current assets			
Investment properties		**5,148**	6,480
Hotel properties, plant and equipment		**7,267**	7,558
Interest in associates		**1,059**	1,249
Interest in joint ventures		**23**	1,604
Equity investments		**3,546**	4,065
Deferred tax assets		**303**	374
Other non-current assets		**34**	29
		17,380	21,359
Current assets			
Properties for sale		**4,947**	4,777
Inventories		**10**	7
Trade and other receivables	9	**214**	310
Prepaid tax		**122**	22
Bank deposits and cash		**1,294**	1,910
		6,587	7,026
Total assets		**23,967**	28,385
Non-current liabilities			
Deferred tax liabilities		**(378)**	(329)
Bank loans		**(2,310)**	(1,835)
		(2,688)	(2,164)
Current liabilities			
Trade and other payables	10	**(2,600)**	(2,722)
Pre-sale deposits and proceeds		**(2,044)**	(3,172)
Taxation payable		**(206)**	(1,060)
Bank loans		**(500)**	(1,800)
		(5,350)	(8,754)
Total liabilities		**(8,038)**	(10,918)
NET ASSETS		**15,929**	17,467
Capital and reserves			
Share capital		**3,641**	3,641
Reserves		**11,841**	13,443
Shareholders' equity		**15,482**	17,084
Non-controlling interests		**447**	383
TOTAL EQUITY		**15,929**	17,467

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 2019 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 HKFRS 3	Definition of a business
Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest rate benchmark reform

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 2020 and 2019 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 2019 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 2020 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 hotel, investment property, development property and investment. No operating segment has been aggregated to form reportable segments.

Hotel segment represents the operations of The Murray, MP Hong Kong, MP Changzhou and Niccolo Suzhou.

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

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

Investment segment represents equity investment in global capital markets.

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
2020							
Hotel	**381**	**(295)**	**-**	**(1,051)**	**(37)**	**-**	**(1,383)**
Investment property	**238**	**207**	**(598)**	**-**	**(14)**	**-**	**(405)**
Development property	**2,534**	**448**	**-**	**5**	**-**	**(75)**	**378**
Investment	**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)**
2019							
Hotel	835	(76)	-	(157)	(46)	-	(279)
Investment property	373	341	(161)	-	(7)	-	173
Development property	38	131	-	-	-	76	207
Investment	117	117	-	-	-	-	117
Segment total	1,363	513	(161)	(157)	(53)	76	218
Others	32	18	-	-	-	-	18
Group total	1,395	531	(161)	(157)	(53)	76	236

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

(b) Analysis of segment business assets

	2020 HK$ Million	2019 HK$ Million
Hotel	**7,380**	7,683
Investment property	**5,191**	6,509
Development property	**6,253**	7,844
Investment	**3,546**	4,065
Total segment business assets	**22,370**	26,101
Unallocated corporate assets	**1,597**	2,284
Total assets	**23,967**	28,385

(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 2020 of HK$10,414 million (2019: HK$11,473 million), the total segment business assets would be increased to HK$26,201 million (2019: HK$30,166 million).

(ii) Unallocated corporate assets mainly comprise deferred tax assets and bank deposits and cash.

(c) Geographical information

	Revenue		**Operating profit/(loss)**	
	2020 HK$ Million	2019 HK$ Million	**2020 HK$ Million**	2019 HK$ Million
Hong Kong	**676**	1,207	**21**	338
Mainland China	**2,587**	125	**439**	130
Others	**50**	63	**50**	63
Group total	**3,313**	1,395	**510**	531

	Specified non-current assets		**Total business assets**	
	2020 HK$ Million	2019 HK$ Million	**2020 HK$ Million**	2019 HK$ Million
Hong Kong	**11,434**	12,675	**14,194**	15,616
Mainland China	**2,063**	4,216	**7,242**	9,212
Others	**-**	-	**934**	1,273
Group total	**13,497**	16,891	**22,370**	26,101

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 instruments, 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

	2020 HK$ Million	2019 HK$ Million
Revenue recognised under HKFRS 15		
Hotel	**381**	835
Management and services income and other rental related income	**37**	41
Sale of development properties	**2,534**	38
	2,952	914
Revenue recognised under other accounting standards		
Rental income under investment properties segment		
- Fixed	**201**	241
- Variable	**-**	91
Investment	**143**	117
Others	**17**	32
	361	481
Total revenue	**3,313**	1,395

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 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.

The Group has also 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 revenue from sales of completed properties as the performance obligation is part of a contract that has an original expected duration of one year or less.

3. OPERATING PROFIT

Operating profit is arrived at:

	2020 HK$ Million	2019 HK$ Million
After charging:		
Depreciation	**202**	216
Staff costs (Note i)	**273**	357
Auditors' remuneration	**3**	3
Cost of trading properties for recognised sales	**1,994**	(134)
Direct operating expenses of investment properties	**21**	21
After crediting:		
Gross rental revenue from investment properties	**238**	373
Interest income	**17**	32
Dividend income from equity investments	**143**	117
Government grants (Note ii)	**53**	-

Notes:

(i) Staff costs included defined contribution pension schemes costs HK$12 million (2019: HK$15 million).

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

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$676 million (2019: HK$ Nil) for The Murray in Hong Kong, HK$369 million (2019: HK$ Nil) for Niccolo Suzhou and HK$6 million (2019: HK$157 million) for MP Changzhou in Mainland China was recognised during the year, the carrying value after an impairment amounted to HK$6,145 million (2019: HK$6,973 million) for The Murray, HK$560 million (2019: HK$736 million which was classified as investment properties under development) for Niccolo Suzhou and HK$417 million (2019: HK$413 million) for MP Changzhou.

For the independent valuation, key assumptions used in the discounted cash flows included long-term growth rate of room rate ranging from 3% to 4%, long-term occupancy rate ranging from 71% to 75%, discount rates 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 2020 were not significantly changed from the methodology and key assumptions adopted by the Group for the year ended 31 December 2019.

5. FINANCE COSTS

	2020	2019
	HK$ Million	HK$ Million
Interest on bank borrowings	**60**	85
Other finance costs	**7**	9
	67	94
Less: Amount capitalised	**(16)**	(41)
Total	**51**	53

6. INCOME TAX

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

	2020 HK$ Million	2019 HK$ Million
Current income tax		
Hong Kong		
- provision for the year	**15**	70
Mainland China		
- provision for the year	**148**	102
	163	172
Land appreciation tax ("LAT") (Note (d))	**(473)**	1
Deferred tax		
Origination and reversal of temporary differences	**135**	(84)
Total	**(175)**	89

(b) The provision for Hong Kong profits tax is at the rate of 16.5% (2019: 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% (2019: 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 attributable to associates for the year ended 31 December 2020 of HK$21 million (2019: HK$21 million) is included in the share of results of associates.

7. (LOSS)/EARNINGS 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$1,119 million (2019: profit of HK$117 million) and 708.8 million ordinary shares (2019: 708.8 million shares) in issue during the year.

The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share as there are no potential dilutive ordinary shares in existence during the year ended 31 December 2020 and 2019.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	2020 HK$ Per share	**2020 HK$ Million**	2019 HK$ Per share	2019 HK$ Million
First interim dividend declared and paid	**-**	**-**	0.07	50
Special interim dividend declared and paid	**0.07**	**50**	-	-
Second interim dividend declared after the end of the reporting period	**-**	**-**	0.15	106
Second special interim dividend declared after the end of the reporting period	**0.07**	**50**	-	-
	0.14	**100**	0.22	156

(a) The second special interim dividend based on 708.8 million issued ordinary shares (2019: second interim dividend based on 708.8 million shares) declared after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) The second interim dividend of HK$106 million for 2019 was approved and paid in 2020.

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 2020 as follows:

	2020 HK$ Million	2019 HK$ Million
Trade receivables		
0 – 30 days	**10**	27
31 – 60 days	**4**	1
Over 60 days	**3**	9
	17	37
Prepayments	**113**	74
Other receivables	**31**	12
Amount due from a non-controlling shareholder	**10**	54
Amounts due from fellow subsidiaries	**43**	133
	214	310

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 2020 as follows:

	2020 **HK$ Million**	2019 HK$ Million
Trade payables		
0 – 30 days	**17**	26
31 – 60 days	**1**	1
Over 90 days	**1**	1
	19	28
Other payables and provisions	**506**	552
Construction costs payable	**2,067**	548
Amounts due to fellow subsidiaries	**8**	5
Amounts due to joint ventures	**-**	1,589
	2,600	2,722

11. COMPARATIVE FIGURES

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

12. REVIEW OF RESULTS

The financial results for the year ended 31 December 2020 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 2020 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 2020, all the code provisions in the Corporate Governance Code as set out 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 A.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 the Chairman of the Company as well as to discharge the executive functions of a chief executive. The Board of Directors believes that the balance of power and authority is adequately ensured by the operations 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 SECOND SPECIAL INTERIM DIVIDEND AND ANNUAL GENERAL MEETING

Second Special Interim Dividend

Ex-entitlement date	23 March 2021 (Tue)
Latest time to lodge share transfer	4:30 p.m., 24 March 2021 (Wed)
Record date/time	6:00 p.m., 24 March 2021 (Wed)
Payment date	21 April 2021 (Wed)

In order to qualify for the second special interim dividend, all transfer, accompanied by the relevant share certificates, must be lodged with the Company's 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, 24 March 2021.

Annual General Meeting ("AGM")

Ex-entitlement date	27 April 2021 (Tue)
Latest time to lodge share transfer	4:30 p.m., 28 April 2021 (Wed)
Book closure period	29 April 2021 (Thu) to 4 May 2021 (Tue), both days inclusive
Record date	29 April 2021 (Thu)
AGM date/time	11:15 a.m., 4 May 2021 (Tue)

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 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, 28 April 2021.

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

Hong Kong, 2 March 2021

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.