HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 51

Interim Results Announcement for the half-year period ended 30 June 2021

No Early Recovery from Pandemic Assumed

HIGHLIGHTS

- Core hospitality and retail sectors still on their knees 18 months into the COVID-19 pandemic
- Belt tightening looks set to continue
- No interim dividend will be paid for the period

GROUP RESULTS

Underlying net loss amounted to HK$29 million (2020: profit of HK$171 million). Inclusive of impairment provision on revaluation of hotels and deficit on revaluation of Investment Properties ("IP"), Group loss attributable to equity shareholders was HK$104 million (2020: loss of HK$1,281 million).

Basic loss per share was HK$0.15 (2020: loss per share HK$1.81).

INTERIM DIVIDEND

No interim dividend will be paid in respect of the period under review (2020: a non-recurrent special interim dividend of HK$0.07 per share).

BUSINESS REVIEW

Eighteen months into the COVID-19 pandemic, core hospitality and retail sectors in Hong Kong are still on their knees. No early recovery can be assumed.

Bleeding continues for hotel operators as borders remain effectively closed. Encouragingly, second quarter performance generally improved on the first quarter. However, government has withdrawn most pandemic aid offered in 2020, the most significant of which being Employment Subsidy Scheme ("ESS") which started in June and ended in November.

Retail sales have bottomed as local consumption rebuilds but the entire sector is still facing tremendous pressure until borders re-open.

The Group's core IP and hotels in Hong Kong were no exception to the onslaught of this biggest pandemic in a century. The hotels proactively expanded foothold in the domestic market and presented a notable year-on-year improvement in revenue but are still not able to cover their basic operating costs. Meanwhile, the prevailing vacancy and weaker market rent depressed the Group's IP rental income.

In the Mainland, recognition of Suzhou International Finance Square ("SZIFS") led to an increase in development properties ("DP") revenue and operating profit. However, contribution from SZIFS is expected to dwindle after 2021, with only unsold and so far slow-moving stock in both SZIFS and Shanghai South Station projects left in the portfolio.

Hong Kong's economy achieved appreciable growth in the first half of 2021, but that stemmed from a low base of comparison. While local business sentiment has largely recovered, the most beleaguered sectors still await normalisation of cross-border activities.

Hong Kong

Hotel
The sector has been battered for 18 months. Events and banquets are also badly hit by social distancing measures. With a strategic shift of business focus to the local staycation market to survive, hotel revenue increased but operating loss only improved narrowly. Discontinuation of ESS will present a new challenge for the second half.

The Murray, Hong Kong ("The Murray") topped the direct competition for revenue yield per room by providing themed staycation programmes to target local guests, particularly over weekends and public holidays.

Marco Polo Hongkong Hotel ("MP Hong Kong") has once again won the Forbes Travel Guide Four-Star restaurant award for its renowned Italian restaurant, Cucina. The restaurant was also named "Best Restaurants 2021" by Hong Kong Tatler.

Investment Properties
Revival of local consumption with a gradual easing of social distancing measures benefitted the Group and tenants. Yet, market rent remained relatively weak and significant investment in marketing initiatives has been made to capture a bigger share of local spending power. As a result, IP revenue and operating profit dropped by 23% and 25% respectively.

The portfolio was independently revalued as at 30 June 2021 and a net revaluation deficit of HK$22 million was registered.

Mainland China

Hotels

Opened in April 2021, Niccolo Suzhou comprises 233 spacious, contemporary chic guest rooms including 20 suites. Crowning the top floors of the city's tallest skyscraper SZIFS, the sky-high hotel commands panoramic views over Jinji Lake and the city skyline and is set to become the epicentre of stylish and luxurious events in the city.

COVID-19 restrictions and increased competition from new hotels continued to weigh on the performance of Marco Polo Changzhou ("MPCZ"). An operating loss was recorded despite a slight improvement.

Properties

Phased completion and handover of the 80%-owned SZIFS helped to increase DP revenue to HK$1,402 million and operating profit to HK$146 million. However, an impairment provision had to be made for the Shanghai South Station project, the Group's only other remaining project with a 27% interest, due to slow sales for its remaining stock.

As at the end of June 2021, the Group's attributable land bank (net of recognised sales) was approximately 0.3 million square metres. Net order book amounted to RMB1.1 billion for 34,000 square metres. Contracted sales in the period totaled RMB296 million, which already represented a 147% improvement from a year earlier.

FINANCIAL REVIEW

(I) Review of 2021 Interim Results

The prolonged COVID-19 pandemic continued to seriously impact the Group's financial results with Hotel segment remaining at a loss and IP segment facing negative rental reversions.

The Group recorded an underlying net loss of HK$29 million (2020: profit of HK$171 million which included a one-off net tax write-back of HK$361 million). After net revaluation deficit for IP and impairment provision on hotel properties, Group loss attributable to equity shareholders amounted to HK$104 million (2020: loss of HK$1,281 million which included net revaluation deficit for IP and impairment provision on hotel properties of HK$1,452 million).

Revenue and Operating Profit

Group revenue substantially increased to HK$1,813 million (2020: HK$654 million) and operating profit to HK$142 million (2020: HK$11 million) mainly due to DP sales recognition.

Hotel revenue increased to HK$232 million (2020: HK$139 million) while operating loss narrowed to HK$161 million (2020: HK$179 million). The Murray and MP Hong Kong together recorded revenue growth to HK$186 million (2020: HK$131 million) and reduced operating losses to HK$127 million (2020: HK$165 million losses). Mainland hotels also recorded revenue growth but increased operating losses to HK$34 million, partly due to the opening of Niccolo Suzhou.

IP revenue and operating profit decreased by 23% to HK$98 million (2020: HK$127 million) and 25% to HK$84 million (2020: HK$112 million), respectively, mainly resulting from lower rental reversions on lease renewals.

DP revenue amounted to HK$1,402 million (2020: HK$303 million), mainly due to sales recognition for SZIFS units, while operating profit increased to HK$146 million (2020: loss of HK$3 million).

Investment operating profit, mainly from dividend income, maintained at HK$74 million (2020: HK$74 million).

IP Revaluation Change

The Group's IP were stated at fair value based on independent valuation as at 30 June 2021, resulting in a revaluation deficit of HK$22 million for the period (2020: HK$524 million). The attributable net revaluation deficit of HK$22 million (2020: HK$482 million) was debited to the consolidated income statement.

Hotel Impairment

Impairment provision of HK$67 million was made for Mainland hotel for the period (2020: HK$1,043 million for Mainland and Hong Kong hotels).

Finance Costs
Net finance costs amounted to HK$17 million (2020: HK$32 million) after interest capitalisation of HK$4 million (2020: HK$8 million) for the DP projects.

Share of Results (after tax) of Associates
Attributable loss from associates amounted to HK$60 million (2020: HK$76 million), which is mainly attributable to impairment provision on a DP project.

Income Tax
Taxation charge for the period amounted to HK$67 million (2020: credit of HK$350 million which included a one-off land appreciation tax write back of HK$494 million) principally attributable to DP profit.

Loss Attributable to Equity Shareholders
Group loss attributable to equity shareholders for the period was HK$104 million (2020: HK$1,281 million). Loss per share ("LPS") was HK$0.15 (2020: HK$1.81) based on 708.8 million issued shares.

Excluding the net IP revaluation deficit of HK$22 million (2020: HK$482 million) and net impairment provision for hotel properties of HK$53 million (2020: HK$970 million), underlying net loss (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 period and LPS were HK$29 million (2020: profit of HK$171 million) and HK$0.04 (2020: earnings per share HK$0.24), respectively.

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

Shareholders' and Total Equity
As at 30 June 2021, shareholders' equity increased to HK$15,817 million (2020: HK$15,482 million), equivalent to HK$22.32 per share (2020: HK$21.84 per share). The increase was mainly attributable to increase in investment revaluation surplus of HK$409 million that was directly dealt with in reserves. Including non-controlling interests, the Group's total equity amounted to HK$16,283 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 30 June 2021 would give rise to a revaluation surplus of HK$3,835 million and increase the Group's shareholders' equity as at 30 June 2021 to HK$19,652 million, equivalent to HK$27.73 per share.

Assets and Liabilities
Total assets were reported at HK$22,714 million (2020: HK$23,967 million). Total business assets, excluding bank deposits and cash as well as deferred tax assets, amounted to HK$21,446 million (2020: HK$22,370 million).

Geographically, the Group's business assets in Hong Kong decreased to HK$14,125 million (2020: HK$14,194 million), representing 66% (2020: 63%) of the Group's total business assets. Mainland business assets decreased to HK$6,244 million (2020: HK$7,242 million), representing 29% (2020: 32%) of the Group's total business assets.

Hotels
Hotel properties amounted to HK$7,234 million (2020: HK$7,144 million), which comprised The Murray (HK$6,073 million), MP Hong Kong (HK$22 million), MPCZ (HK$355 million) and Niccolo Suzhou (HK$784 million).

Investment Properties
IP amounted to HK$5,126 million (2020: HK$5,148 million), which comprised MP Hong Kong's podium (HK$4,555 million) and Star House units (HK$571 million).

Properties for Sale/Interests in Associates and Joint Ventures
DP amounted to HK$3,832 million (2020: HK$4,947 million), mainly representing the DP portion of SZIFS. DP undertaken through associates and joint ventures amounted to HK$1,035 million (2020: HK$1,082 million).

Equity Investments
Equity investments marked to market amounted to HK$3,727 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$455 million (2020: deficit of HK$858 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 sectors and by geographical locations as below:

	30 June 2021 HK$ Million	31 December 2020 HK$ Million
Analysed by industry sector:		
- Properties	**3,154**	2,982
- Others	**573**	564
Total	**3,727**	3,546
Analysed by geographical locations:		
- Hong Kong	**2,650**	2,611
- Overseas	**1,077**	935
Total	**3,727**	3,546

Pre-sale Deposits and Proceeds
Pre-sale deposits and proceeds decreased to HK$1,075 million (2020: HK$2,044 million) upon recognition of revenue.

Net Debt and Gearing
At 30 June 2021, the Group had net debt of HK$1,303 million (2020: HK$1,516 million), consisting of HK$1,143 million in cash (mainly held in Mainland China) and HK$2,446 million in bank borrowings (mainly drawn in Hong Kong). Gearing remained low at 8% (2020: 10%) of total equity.

Finance and Availability of Facilities and Funds
As at 30 June 2021, the Group's available loan facilities amounted to HK$4,892 million, of which HK$2,446 million were utilised. Certain banking facilities were secured by bank deposits in the Mainland of HK$361 million (2020: HK$356 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 30 June 2021, the Group also held a portfolio of liquid listed equity investments with an aggregate market value of HK$3,727 million (2020: HK$3,546 million), which is available for use if necessary.

Net Cash Flows for Operating and Investing Activities
For the period under review, the Group recorded a net cash inflow in operating activities of HK$196 million (2020: outflow HK$411 million) primarily from dividend income from listed investments. For investing activities, the Group generated a net cash inflow of HK$75 million (2020: HK$25 million), mainly from sale of investments net of SZIFS construction payments.

Commitments to Capital and Development Expenditure
As at 30 June 2021, major capital and development expenditure planned for the coming years totalled HK$1.0 billion, of which HK$0.4 billion was mainly committed for DP.

The above expenditures will be funded by internal financial resources, including cash currently on hand, as well as bank loans. Other available resources include equity investments that can be liquidated when in need.

(III) Human Resources

The Group had approximately 1,400 employees as at 30 June 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 six months ended 30 June 2021 - Unaudited

	Note	Six months ended 30 June **2021** **HK$ Million**	2020 HK$ Million
Revenue	2	**1,813**	654
Direct costs and operating expenses		**(1,408)**	(469)
Selling and marketing expenses		**(82)**	(37)
Administrative and corporate expenses		**(74)**	(32)
Operating profit before depreciation, interest and tax		**249**	116
Depreciation		**(107)**	(105)
Operating profit	2 & 3	**142**	11
Changes in fair value of investment properties		**(22)**	(524)
Impairment loss on hotel properties	4	**(67)**	(1,043)
Other net income/(loss)		**1**	(1)
		54	(1,557)
Finance costs	5	**(17)**	(32)
Share of results after tax of associates		**(60)**	(76)
Loss before taxation		**(23)**	(1,665)
Income tax	6(a)	**(67)**	350
Loss for the period		**(90)**	(1,315)
(Loss)/profit attributable to:			
Equity shareholders		**(104)**	(1,281)
Non-controlling interests		**14**	(34)
		(90)	(1,315)
Loss per share	7		
Basic		**(HK$0.15)**	(HK$1.81)
Diluted		**(HK$0.15)**	(HK$1.81)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2021 – Unaudited

	Six months ended 30 June	
	2021	2020
	HK$ Million	HK$ Million
Loss for the period	**(90)**	(1,315)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Fair value changes on equity investments	**455**	(858)
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of the operations		
- subsidiaries	**38**	(52)
Share of reserves of joint ventures	**-**	(3)
Others	**1**	2
Other comprehensive income for the period	**494**	(911)
Total comprehensive income for the period	**404**	(2,226)
Total comprehensive income attributable to:		
Equity shareholders	**385**	(2,185)
Non-controlling interests	**19**	(41)
	404	(2,226)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2021 – Unaudited

	Note	**30 June 2021 HK$ Million**	31 December 2020 HK$ Million
Non-current assets			
Investment properties		**5,126**	5,148
Hotel properties, plant and equipment		**7,365**	7,267
Interest in associates		**1,011**	1,059
Interest in joint ventures		**24**	23
Equity investments		**3,727**	3,546
Deferred tax assets		**125**	303
Other non-current assets		**34**	34
		17,412	17,380
Current assets			
Properties for sale		**3,832**	4,947
Inventories		**9**	10
Trade and other receivables	9	**192**	214
Prepaid tax		**126**	122
Bank deposits and cash		**1,143**	1,294
		5,302	6,587
Total assets		**22,714**	23,967
Non-current liabilities			
Deferred tax liabilities		**(392)**	(378)
Bank loans		**(2,446)**	(2,310)
		(2,838)	(2,688)
Current liabilities			
Trade and other payables	10	**(2,446)**	(2,600)
Pre-sale deposits and proceeds		**(1,075)**	(2,044)
Taxation payable		**(72)**	(206)
Bank loans		**-**	(500)
		(3,593)	(5,350)
Total liabilities		**(6,431)**	(8,038)
NET ASSETS		**16,283**	15,929
Capital and reserves			
Share capital		**3,641**	3,641
Reserves		**12,176**	11,841
Shareholders' equity		**15,817**	15,482
Non-controlling interests		**466**	447
TOTAL EQUITY		**16,283**	15,929

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

This unaudited interim financial information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The preparation of the unaudited interim financial information in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2020. The unaudited interim financial information and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies and methods of computation used in the preparation of the unaudited interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2020 except for the changes mentioned below.

With effect from 1 January 2021, the Group has adopted the below amendments which are relevant to the Group's consolidated financial statements:

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

The Group has assessed the impact of the adoption of the above amendments and considered that there was no significant impact on the Group's results and financial position or any substantial changes in the Group's accounting policies.

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

The financial information relating to the financial year ended 31 December 2020 that is included in the unaudited interim financial information as comparative information does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) (the "Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

2. SEGMENT INFORMATION

The Group manages its diversified businesses according to the nature of services and products provided. Management has determined four reportable operating segments for measuring performance and allocating resources. The segments are 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, MPCZ 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 as well as deferred tax assets.

Revenue and expenses are allocated with reference to income generated by those segments and expenses incurred by those segments or which arise from the depreciation of assets attributable to those segments.

(a) Analysis of segment revenue and results

Six months ended	Revenue HK$ Million	Operating profit/(loss) HK$ Million	Changes in fair value of investment properties HK$ Million	Other net income/ (loss) and impairment loss HK$ Million	Finance costs HK$ Million	Associates HK$ Million	Profit/(loss) before taxation HK$ Million
30 June 2021							
Hotel	**232**	**(161)**	**-**	**(67)**	**(10)**	**-**	**(238)**
Investment property	**98**	**84**	**(22)**	**-**	**(4)**	**-**	**58**
Development property	**1,402**	**146**	**-**	**-**	**(3)**	**(60)**	**83**
Investment	**74**	**74**	**-**	**-**	**-**	**-**	**74**
Segment total	**1,806**	**143**	**(22)**	**(67)**	**(17)**	**(60)**	**(23)**
Others	**7**	**(1)**	**-**	**1**	**-**	**-**	**-**
Group total	**1,813**	**142**	**(22)**	**(66)**	**(17)**	**(60)**	**(23)**
30 June 2020							
Hotel	139	(179)	-	(1,043)	(24)	-	(1,246)
Investment property	127	112	(524)	-	(8)	-	(420)
Development property	303	(3)	-	-	-	(76)	(79)
Investment	74	74	-	-	-	-	74
Segment total	643	4	(524)	(1,043)	(32)	(76)	(1,671)
Others	11	7	-	(1)	-	-	6
Group total	654	11	(524)	(1,044)	(32)	(76)	(1,665)

(i) Substantially all depreciation was attributable to the hotel segment.

(ii) No inter-segment revenue has been recorded during the current and prior periods.

(b) Disaggregation of revenue

	Six months ended 30 June 2021 HK$ Million	2020 HK$ Million
Revenue recognised under HKFRS 15		
Hotel	**232**	139
Management and services income and other rental related income	**18**	19
Sale of development properties	**1,402**	303
	1,652	461
Revenue recognised under other accounting standards		
Rental income under investment properties segment		
- Fixed	**80**	108
Investment	**74**	74
Others	**7**	11
	161	193
Total revenue	**1,813**	654

The Group has applied practical expedient in paragraph 121 of HKFRS 15 to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date to its:

- hotel operation as the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group's performance completed to date.

- property management fees and other rental related income as the Group recognises revenue at the amount to which it has a right to invoice, which corresponds directly with the value to the customer of the Group's performance completed to date.

- sales of completed properties as the performance obligation is part of a contract that had an original expected duration of one year or less.

3. OPERATING PROFIT

Operating profit is arrived at:

	Six months ended 30 June	
	2021	2020
	HK$ Million	HK$ Million
After charging:		
Depreciation	**107**	105
Staff costs (Note)	**134**	136
Cost of trading properties for recognised sales	**1,199**	281
Direct operating expenses of investment properties	**11**	12
After crediting:		
Gross rental revenue from investment properties	**98**	127
Interest income	**7**	11
Dividend income from equity investments	**74**	74

Note: Staff costs included defined contribution pension schemes costs HK$6 million (2020: HK$6 million), which did not have any forfeited contribution (2020: HK$1 million).

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 for Mainland Hotel.

For the independent valuation, key assumptions used in the discounted cash flows included long-term growth rate of room rate at 5%, long-term occupancy rate at 75%, discount rates at 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 six months ended 30 June 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

	Six months ended 30 June **2021** HK$ Million	2020 HK$ Million
Interest on bank borrowings	**18**	37
Other finance costs	**3**	3
	21	40
Less: Amount capitalised	**(4)**	(8)
Total	**17**	32

6. INCOME TAX

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

	Six months ended 30 June **2021** HK$ Million	2020 HK$ Million
Current income tax		
Hong Kong		
- provision for the period	**6**	9
Mainland China		
- provision for the period	**2**	14
	8	23
Land appreciation tax ("LAT") (Note (d))	**12**	(494)
Deferred tax		
Origination and reversal of temporary differences	**47**	121
Total	**67**	(350)

(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 period.

(c) Income tax on profit 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.

(e) There was no tax attributable to associates for the six months ended 30 June 2021 (2020: HK$18 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 period of HK$104 million (2020: HK$1,281 million) and 708.8 million ordinary shares (2020: 708.8 million shares) in issue during the period.

8. DIVIDENDS ATTRIBUTABLE TO EQUITY SHAREHOLDERS

	Six months ended 30 June			
	2021	**2021**	2020	2020
	HK$	**HK$**	HK$	HK$
	Per share	**Million**	Per share	Million
First special interim dividend declared after the end of the reporting period	**-**	**-**	0.07	50

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 30 June 2021 as follows:

	30 June 2021 HK$ Million	31 December 2020 HK$ Million
Trade receivables		
0 - 30 days	**29**	10
31 - 60 days	**2**	4
Over 60 days	**13**	3
	44	17
Prepayments	**85**	113
Other receivables	**14**	31
Amount due from a non-controlling shareholder	**10**	10
Amounts due from fellow subsidiaries	**39**	43
	192	214

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.

10. TRADE AND OTHER PAYABLES

Included in this item are trade payables with an ageing analysis based on invoice date as at 30 June 2021 as follows:

	30 June 2021 HK$ Million	31 December 2020 HK$ Million
Trade payables		
0 - 30 days	**16**	17
31 - 60 days	**3**	1
Over 90 days	**1**	1
	20	19
Other payables and provisions	**420**	506
Construction costs payable	**1,997**	2,067
Amounts due to fellow subsidiaries	**9**	8
	2,446	2,600

11. REVIEW OF UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information for the six months ended 30 June 2021 has been reviewed with no disagreement by the Audit Committee of the Company.

CORPORATE GOVERNANCE CODE

During the financial period under review, all the code provisions set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities 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 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 period under review.

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

Hong Kong, 3 August 2021

As at the date of this announcement, the Board of Directors of the Company 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.