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HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 51

SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the annual report for the year ended 31 December 2019 (the “**Annual Report**”) published on 26 March 2020 of Harbour Centre Development Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”). The Board of Directors of the Company (the “**Board**”) would like to provide additional information in respect of the impairment on hotel properties as disclosed in the Annual Report.

IMPAIRMENT 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\$157 million (2018: HK\$Nil) was recognized for a Mainland hotel, namely, Marco Polo Changzhou, the carrying value of which after the impairment was HK\$413 million (2018: HK\$554 million). The recoverable amount was determined based on value in use.

For the independent valuation, key assumptions used in the discounted cash flows included long-term growth rate of room rate ranging from 2% to 5%, long-term growth rate of occupancy rate ranging from 6% to 11%, discount rates at 6.5% and the projected net cash flows for the years from 2020 to 2048.

The above methodology and key assumptions adopted for determining the impairment for hotel properties for the year ended 31 December 2019 were not significantly changed from the methodology and key assumptions adopted by the Group for the year ended 31 December 2018.

Save as disclosed above, all other information in the Annual Report remains unchanged.

By Order of the Board
Harbour Centre Development Limited
Kevin C. Y. Hui
Company Secretary

Hong Kong, 19 August 2020

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.