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HARBOUR CENTRE DEVELOPMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 51

DISCLOSEABLE TRANSACTION

The Board wishes to announce that on 18 February 2022, an indirect wholly-owned subsidiary of the Company entered into an Agreement to dispose of the entire equity interest in the Target Company at a consideration of RMB402.94 million (equivalent to approximately HK\$492.8 million) upon the terms and conditions contained in the Agreement.

On the basis that at least one of the applicable percentage ratios in respect of the Transaction is greater than the 5% threshold while no such ratio is equal to or greater than the 25% threshold for the purposes of Rule 14.07 of the Listing Rules, the Transaction constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board wishes to announce that on 18 February 2022, Cheer Sky Investment Limited (an indirect wholly-owned subsidiary of the Company) as the vendor entered into an Agreement with the Purchaser for the disposal of the Sale Interest.

AGREEMENT

Date: 18 February 2022

Parties: Cheer Sky Investment Limited (an indirect wholly-owned subsidiary of the Company) as the vendor

常州優眾餐飲管理有限公司 (Changzhou Youzhong Catering Management Company Limited)* as the purchaser

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Subject Matter:

The Vendor has agreed to sell and the Purchaser has agreed to acquire the Sale Interest, representing the entire equity interest of the Target Company, upon the terms and conditions of the Agreement.

Underlying Assets/ Projects:

The Target Company is principally engaged in the development of a property project located in Changzhou, China. Since the project was started in 2007, the Target Company has completed the sale of residential properties for over RMB5 billion with the last remaining unsold properties mainly comprising a hotel with total gross floor area of approximately 44,000 square meters. Pending eventual sale to complete the development project, the hotel is currently operated by another indirect wholly-owned subsidiary Marco Polo Changzhou.

Consideration:

The Consideration for the Sale Interest is RMB402.94 million (equivalent to approximately HK\$492.8 million), subject to adjustments based on the net asset value of the Target Company as at the Settlement Date in accordance with the Agreement.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser on normal commercial terms, with reference to and on basis of (i) the value of the properties at RMB410 million (equivalent to approximately HK\$501.5 million) as agreed between the Vendor and the Purchaser, plus (ii) bank balance, less (iii) current liabilities and non-current liabilities, of the Target Company.

Payment Terms:

The Consideration shall be settled as follows:-

- (i) First instalment: an amount of RMB41 million (equivalent to approximately HK\$50.1 million) has been paid by the Purchaser on signing of the Agreement;
- (ii) Second instalment: the remaining balance, i.e. RMB361.94 million (equivalent to approximately HK\$442.7 million), shall be paid by the Purchaser on 18 May 2022, being the Settlement Date.

Completion:

Completion shall take place within 30 days after completion of the registration with the local authority in relation to the transfer of the Sale Interest from the Vendor to the Purchaser.

Upon Completion, the Group will cease to hold any interest in the Target Company which shall cease to be a subsidiary of the Company. The existing lease agreement between the Target Company and Marco Polo Changzhou shall also be terminated and Marco Polo Changzhou will cease its hotel operation.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated under the laws of China with limited liability and is wholly-owned by the Vendor.

The Target Company is principally engaged in the development of a property project located in Changzhou, China. Since the project started in 2007, the Target Company has completed the sale of residential properties for over RMB5 billion with the last remaining unsold properties mainly comprising a hotel namely Marco Polo Changzhou with total gross floor area of approximately 44,000 square meters. The Target Company's book value as at 31 December 2021 was RMB170.54 million (equivalent to approximately HK\$208.6 million).

Key financial information of the Target Company, based on its audited financial statements for each of the two years ended 31 December 2019 and 31 December 2020, is set out below:

	For the year ended 31 December	
	2019	2020
	<i>RMB' million</i>	<i>RMB' million</i>
Loss before tax	152.4	24.41
Loss after tax	152.4	24.41

Following disposal of gains/losses (including impairment provisions) in prior years, the unaudited net asset value of the Target Company as at 31 December 2021 was RMB170.54 million (equivalent to approximately HK\$208.6 million).

FINANCIAL EFFECT OF THE TRANSACTION AND USE OF PROCEEDS

Upon Completion, the Group is expected to record a profit (before taxation) of approximately RMB232.4 million (equivalent to approximately HK\$284.2 million) which mainly represents the difference between the net sales proceeds and the unaudited net asset value attributable to the Sales Interest, assuming no substantial change from 30 September 2021. The actual gain or loss arising from the Transaction will be subject to the final audit by the auditors of the Company and may be different from the amount stated above.

The net sale proceeds of the Transaction in the amount of RMB402.94 million (equivalent to approximately HK\$492.8 million) will be used as general working capital of the Group.

REASONS AND BENEFITS FOR THE TRANSACTION

The Board is of the view that the Transaction represents final completion of this development project started in 2007. Proceeds from the Transaction will increase the general working capital of the Group.

The Board considers that the Transaction is on normal commercial terms with reference to the prevailing market conditions after due negotiations on an arm's length basis and is in the ordinary and usual course of business of the Group, and believe that the terms of the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

REGULATORY ASPECTS

On the basis that at least one of the applicable percentage ratios in respect of the Transaction is greater than the 5% threshold while no such ratio is equal to or greater than the 25% threshold for the purposes of Rule 14.07 of the Listing Rules, the Transaction constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules

GENERAL

The principal activities of the Group are ownership of hotels, investment properties, investments as well as development properties in Mainland China for which an orderly exit is in progress.

The principal activity of the Vendor, an indirect wholly-owned subsidiary of the Company, is investment holding.

The principal activity of the Purchaser is catering management including catering service and food sales.

TERMS USED IN THIS ANNOUNCEMENT

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:-

“Agreement”	the equity transfer agreement dated 18 February 2022 entered into between the Vendor and the Purchaser in relation to the Transaction
“Board”	board of directors of the Company
“China”	the People's Republic of China
“Company”	Harbour Centre Development Limited (stock code: 51), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Transaction in accordance with the terms of the Agreement

“Consideration”	the sum of RMB402.94 million (equivalent to approximately HK\$492.8 million), being the consideration for the disposal of the Sale Interest
“Director(s)”	director(s) of the Company for the time being
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Marco Polo Changzhou”	常州馬哥孛羅酒店有限公司 (Changzhou Marco Polo Hotel Company Limited)*, a company incorporated under the laws of China with limited liability, and is an indirect wholly-owned subsidiary of the Company
“Purchaser”	常州優眾餐飲管理有限公司 (Changzhou Youzhong Catering Management Company Limited)*, a company incorporated under the laws of China with limited liability
“RMB”	Renminbi, the lawful currency of China
“Sale Interest”	entire equity interest of the Target Company
“Settlement Date”	18 May 2022, the date on which the Consideration will be determined/adjusted on basis of the prevailing financial positions of the Target Company according to the Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	九龍倉(常州)置業有限公司 (Wharf (Changzhou) Estates Company Limited)*, a company incorporated under the laws of China with limited liability, and is a wholly-owned subsidiary of the Vendor
“Transaction”	the disposal by the Vendor of the entire equity interest of the Target Company to the Purchaser pursuant to the Agreement

“Vendor” Cheer Sky Investment Limited, a company incorporated in Hong Kong with limited liability, and is an indirect wholly-owned subsidiary of the Company

“%” per cent.

** The English translation of the Chinese names denoted in this announcement is for the purpose of illustration only. Should there be any inconsistencies, the Chinese names prevail.*

Unless otherwise specified in this announcement, amounts denominated in Renminbi have been converted into Hong Kong dollars at the rate of HK\$1.2231 = RMB1. This exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

By order of the Board
HARBOUR CENTRE DEVELOPMENT LIMITED
Grace L. C. Ho
Company Secretary

Hong Kong, 18 February 2022

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.