



HARBOUR CENTRE DEVELOPMENT LIMITED

Stock Code: 51

2006 Results Announcement

GROUP RESULTS

The Group profit attributable to Shareholders for the year ended 31st December, 2006 amounted to HK\$422.7 million, a decrease of HK\$94.4 million or 18.3% as compared with HK\$517.1 million reported for the year ended 2005. Earnings per share were HK\$1.34 (2005: HK\$1.64).

The Group's profit has included an investment property revaluation surplus, after related deferred tax, of HK\$77.8 million in the results. Excluding this net surplus, the profit for the year under review would have been HK\$344.9 million, an increase of 17.6% over 2005.

The Group's operating profit increased by 31.4% to HK\$340.8 million, principally attributable to the encouraging performance of The Marco Polo Hongkong Hotel and considerable increase in rental income from the hotel's retail areas during 2006.

DIVIDEND

An interim dividend in respect of the year ended 31st December, 2006 of 5.0 cents (2005: 5.0 cents) per share was paid on 13th October, 2006, absorbing a total amount of HK\$15.8 million (2005: HK\$15.8 million). The Directors have recommended for adoption at the Annual General Meeting to be held on Wednesday, 9th May, 2007 the payment on 17th May, 2007 to shareholders registered on 9th May, 2007 of a final dividend in respect of the year ended 31st December, 2006 of 24 cents (2005: 12.0 cents) per share, absorbing a total amount of HK\$75.6 million (2005: HK\$37.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT REVIEW

The Marco Polo Hongkong Hotel ("MPHK Hotel") registered slight growth in occupancy and double-digit growth in average room rate during 2006. Total revenue and operating profit of the Hotel Segment in 2006 rose by 16% and 31% to HK\$431.1 million and HK\$153.2 million respectively. High demand for hotel rooms during trade shows, conferences and exhibitions supported the strong improvement in room rates.

During 2006, average occupancy at MPHK Hotel grew to 88% (2005: 87%). Average room rate recorded a 20% growth. To enhance its competitiveness, the sixth floor of the hotel is being renovated with new food and beverage offering, and the work is scheduled for completion by mid-2007. With solid economic fundamentals and rising tourist arrivals, the near-term outlook for the Hong Kong hotel industry remains strong.

Property Investment revenue and operating profit rose by 28% and 26% to reach HK\$120.2 million and HK\$104.3 million respectively. The increase was principally contributed by favorable rental growth and the first full-year rental contribution from the Star House retail units acquired in November 2005.

Occupancy at the office and retail areas of MPHK Hotel was 93% and 99% respectively, while the Star House units were 87% occupied. Lane Crawford remains the anchor tenant at MPHK Hotel's retail area, which supports the patronage of the hotel.

The Group's investment property, comprising the office and retail areas in MPHK Hotel and the Star House units, were revalued by an independent valuer at 31st December, 2006. Net revaluation surplus after deferred tax was HK\$77.8 million in 2006, compared with HK\$223.7 million in 2005.

On property development, the 60 Victoria Road development at Kennedy Town was completed in August 2006 and virtually all of the 73 units have been sold as at the end of 2006, realising proceeds of about HK\$278 million. These sales were recognised in the 2006 profit and loss account in accordance with current accounting standards.

FINANCIAL REVIEW

(I) Review of 2006 Results

Turnover

Group turnover for the year under review amounted to HK\$920.9 million, an increase of HK\$394.1 million or 74.8% (2005: HK\$526.8 million). The significant increase in turnover was primarily due to the recognition of the proceeds from the sales of residential units at 60 Victoria Road upon its completion in the year under review, combined by the double-digit revenue growth from the Hotel, Property Investment and

Investment segments.

Revenue from the Hotel Segment was up by 16.2% to HK\$431.1 million, reflecting the encouraging performance achieved by the Marco Polo Hongkong Hotel ("MPHK Hotel").

Property investment revenue was up by 27.5% to HK\$120.2 million due to higher rental income generated from MPHK Hotel's retail areas and full year rental income contribution from the Star House units, which were acquired in November 2005.

Property development revenue was HK\$278.3 million (2005: HK\$ Nil), which came from the recognition of the proceeds from the sale of 72 residential units at 60 Victoria Road on its completion in 2006.

Increase in dividend income and interest income generated from the Group's surplus cash also contributed to the turnover growth.

Operating Profit

Group operating profit for the year rose by 31.4% to HK\$340.8 million (2005: HK\$259.3 million). The Hotel and Property investment segments were the main growth drivers with 30.9% and 25.7% growth in operating profit, respectively. There was no profit contribution from the sales of Victoria Road units as the realised selling prices were nearly at their book written down values.

Other Items

Included in the Group's profit is a surplus of HK\$94.3 million (2005: HK\$271.1 million) on revaluation of the Group's investment properties and other net income of HK\$48.7 million (2005: 42.6 million), which mainly included profit on disposal of investments of HK\$47.9 million.

Share of Profits of Associates

Share of profits of associates in 2006 was HK\$6.2 million (2005: HK\$24.4 million) due to the reduction in attributable profit from the Sorrento project as over 99% units of this project were sold by the end of 2005.

Taxation

The taxation charge for the year was HK\$67.3 million (2005: HK\$80.3 million). Included in the current year's taxation charge was a deferred tax provision of HK\$16.5 million (2005: HK\$47.4 million) on the surplus arising from investment property revaluations.

Profit Attributable to Shareholders

Group profit attributable to shareholders for the year amounted to HK\$422.7 million (2005: HK\$517.1 million), a decrease of HK\$94.4 million or 18.3%. Earnings per share were HK\$1.34 (2005: HK\$1.64).

The Group's investment properties were revalued as at 31st December, 2006, resulting in a net surplus after deferred tax of HK\$77.8 million (2005: HK\$223.7 million) recorded in the profit and loss account.

Excluding this surplus, profit for the year would have been HK\$344.9 million, an increase of 17.6% over 2005. The favourable results were mainly due to the increase in the Group's operating profit to HK\$340.8 million (2005: HK\$259.3 million) and profit on disposal of investments by HK\$47.9 million, but offset in part by the decrease in share of profits of HK\$17.0 million contributed by the associate undertaking the Sorrento property project.

(II) Liquidity and Financial Resources

As of 31st December, 2006, the Group's shareholders' equity was HK\$4,778.0 million or HK\$15.17 per share.

In compliance with the amendments to accounting standards (HKAS 19), with effect from 1st January, 2006 retrospectively, the Group's shareholders' equity as at 31st December, 2005 has been restated to HK\$4,096.3 million from HK\$4,101.0 million, a decrease of HK\$4.7 million due to the recognition of previously unrecognised actuarial losses relating to the Group's defined benefit pension schemes to equity.

As at 31st December, 2006, the Group had a net cash balance of HK\$1,840.2 million, HK\$320.6 million higher than 2005. The increase was mainly attributable to the sale proceeds of HK\$278.3 million received from the sales of 60 Victoria Road. The cash surplus was mostly placed as bank deposits. In addition, the Group maintained a portfolio of investments primarily consisting of blue chip securities, with a market value aggregating HK\$1,490.0 million as at 31st December, 2006 (2005: HK\$922.8 million). The performance of the portfolio was in line with the trend of the stock markets.

As at 31st December, 2006, the Group had no significant exposure to foreign exchange rate fluctuations.

(III) Human Resources

The Group has approximately 452 employees working at the Group's hotel. Employees are remunerated according to the nature of the job and market trends, with a built-in merit component incorporated in the annual increment to reward and motivate individual performance. Total staff costs for year ended 31st December, 2006 amounted to HK\$105.1 million (2005: HK\$92.9 million).

CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial year under review, all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, except in respect of one code provision providing for the roles of chairman and chief executive officer to be performed by different individuals. The 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 officer. 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 a substantial number thereof being independent Non-executive Directors.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER, 2006**

	Note	2006 HK\$ Million	2005 HK\$ Million
Turnover	2	920.9	526.8
Direct costs and operating expenses		(508.5)	(217.8)
Selling and marketing expenses		(41.7)	(19.1)
Depreciation and amortisation		(25.3)	(25.2)
Administrative and corporate expenses		(4.6)	(5.4)
Operating profit	3	<u>340.8</u>	259.3
Increase in fair value of investment properties		94.3	271.1
Other net income	4	48.7	42.6
		<u>483.8</u>	573.0
Share of profits less losses of associates		6.2	24.4
Profit before taxation		<u>490.0</u>	597.4
Taxation	5	(67.3)	(80.3)
Profit attributable to shareholders		<u>422.7</u>	517.1
Dividends attributable to the year			
Interim dividend declared during the year		15.8	15.8
Final dividend proposed after the balance sheet date		75.6	37.8
		<u>91.4</u>	53.6
Earnings per share	6	<u>HK\$1.34</u>	HK\$1.64
Dividends per share			
Interim dividend		5.0 cents	5.0 cents
Final dividend		24.0 cents	12.0 cents
		<u>29.0 cents</u>	17.0 cents

**CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER, 2006**

	2006 HK\$ Million	2005 HK\$ Million Restated
Non-current assets		
Fixed assets		
Investment properties	1,663.0	1,561.0
Leasehold land	15.2	15.3
Other properties, plant and equipment	63.4	61.0
Interest in associates	0.8	14.6
Available-for-sale investments	1,490.0	922.8
Long term receivables	3.1	-
Employee benefits	6.7	4.4
	<u>3,242.2</u>	<u>2,579.1</u>
Current assets		
Inventories	7.6	243.5
Trade and other receivables	78.8	105.8
Cash and cash equivalents	1,840.2	1,519.6
	<u>1,926.6</u>	<u>1,868.9</u>
Current liabilities		
Trade and other payables	140.5	134.0
Taxation payable	22.6	9.1
	<u>163.1</u>	<u>143.1</u>
Net current assets	<u>1,763.5</u>	<u>1,725.8</u>
Total assets less current liabilities	<u>5,005.7</u>	<u>4,304.9</u>
Non-current liabilities		
Deferred income	0.8	1.6
Deferred taxation	226.9	207.0
	<u>227.7</u>	<u>208.6</u>
NET ASSETS	<u>4,778.0</u>	<u>4,096.3</u>
Capital and reserves		
Share capital	157.5	157.5
Reserves	4,620.5	3,938.8
TOTAL EQUITY	<u>4,778.0</u>	<u>4,096.3</u>

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements 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 report are consistent with those used in the annual financial statements for the year ended 31st December, 2005 except for the changes in accounting policies as described below.

HKAS 19 "Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures"

In prior years, in calculating the Group's obligations in respect of defined benefit pension schemes, any cumulative unrecognised actuarial gain or loss exceeding 10% of the greater of the present value of the defined benefit obligations and the fair value of scheme assets, was recognised in the consolidated profit and loss account over the expected average remaining working lives of the employees participating in the schemes. Otherwise, the actuarial gain or loss was not recognised.

With effect from 1st January, 2006, the Group has adopted, retrospectively, the provisions set out in an amendment to HKAS 19 whereby all actuarial gains or losses of all defined benefit pension schemes may be recognised outside the profit and loss account. The effect of adoption of this revised policy is to decrease shareholders' equity as at 1st January, 2006 and 1st January, 2005 by HK\$4.7 million and HK\$8.2 million respectively. This change has no significant impact on the Group's results.

2. SEGMENT INFORMATION

(a) Business segments

(i) Revenue and results

	Segment revenue		Segment results	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million
Hotel and restaurants	431.1	370.9	153.2	117.0
Property investment	120.2	94.3	104.3	83.0
Property development	278.3	-	(6.0)	-
Investments	91.3	61.6	89.3	59.3
	920.9	526.8	340.8	259.3
Increase in fair value of investment properties			94.3	271.1
Other net income			48.7	42.6
Property development Investments			-	40.7
			48.7	1.9
			483.8	573.0
Associates			6.2	24.4
Property development Investments			6.2	23.2
			-	1.2
Profit before taxation			490.0	597.4

(ii) Assets and liabilities

	Assets		Liabilities	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million
		Restated		
Hotel and restaurants	132.1	144.8	82.0	69.0
Property investment	1,695.6	1,595.4	22.0	20.8
Property development	9.2	264.3	36.6	44.9
Investments	1,491.7	923.9	0.7	0.9
	3,328.6	2,928.4	141.3	135.6
Unallocated	1,840.2	1,519.6	249.5	216.1
Total assets/liabilities	5,168.8	4,448.0	390.8	351.7

Included in the property development segment is the Group's attributable interest in property development projects undertaken by associates, which totals HK\$0.8 million (2005: HK\$14.6 million).

(iii) Other information

	Capital expenditure		Depreciation and amortization	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million
Hotel and restaurants	23.9	34.8	25.3	25.2
Property investment	7.8	308.7	-	-
Property development	-	132.9	-	-
Total	31.7	476.4	25.3	25.2

The Group has no significant non-cash expenses other than depreciation and amortisation.

(b) Geographical segments

	Turnover		Operating results	
	2006	2005	2006	2005
	HK\$	HK\$	HK\$	HK\$
	Million	Million	Million	Million
Hong Kong	896.0	507.4	315.9	239.9
Singapore	24.9	19.4	24.9	19.4
	920.9	526.8	340.8	259.3

No inter-segment revenue has been recorded during the periods.

3. OPERATING PROFIT

	2006	2005
	HK\$	HK\$
	Million	Million
Operating profit is arrived at:		
After charging:-		
Cost of inventories sold	291.7	26.5
Depreciation and amortisation	25.3	25.2
Staff costs, including retirement scheme costs HK\$2.6 million (2005 : HK\$4.3 million)	105.1	92.9
Auditors' remuneration	0.6	0.5
and crediting:-		
Gross rental income from investment properties	120.2	94.3
Less: direct outgoings	(12.3)	(8.4)
	107.9	85.9
Interest income on bank deposits	61.3	41.1
Dividend income from listed investments	30.0	20.5

4. OTHER NET INCOME

	2006 HK\$ Million	2005 HK\$ Million
Release of deferred income	0.8	3.9
Profit/(loss) on disposal of available-for-sale investments (including HK\$1.7 million (2005: HK\$ Nil) transferred from the investments revaluation reserve)	47.9	(2.0)
Write-back of provision for impairment in value of property held for redevelopment	-	40.7
	48.7	42.6

5. TAXATION

(a) The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 17.5% (2005: 17.5%)

(b) Taxation in the consolidated profit and loss account represents:-

	2006 HK\$ Million	2005 HK\$ Million
Current taxation		
Provision for Hong Kong profits tax for the year	47.6	31.8
Overprovision in respect of prior years	(0.2)	-
	47.4	31.8
Deferred taxation		
Origination and reversal of temporary differences	3.4	1.1
Change in fair value of investment properties	16.5	47.4
	19.9	48.5
Total tax charge	67.3	80.3

6. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of HK\$422.7 million (2005: HK\$517.1 million) and on 315.0 million (2005: 315.0 million) ordinary shares in issue throughout the year ended 31st December, 2006. For the year under review and the preceding year, there is no difference between the basic and diluted earnings per share.

7. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of provision for bad and doubtful debts) with an ageing analysis as at 31st December, 2006 as follows:

	2006 HK\$ Million	2005 HK\$ Million
Due within 30 days	48.4	39.3
Due after 30 days but within 60 days	6.6	2.5
Due after 60 days but within 90 days	0.9	0.1
Over 90 days	-	0.1
	55.9	42.0

The Group has established credit policies for each of its core businesses. The general credit terms allowed range from 0 to 60 days.

8. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with an ageing analysis as at 31st December, 2006 as follows:

	2006 HK\$ Million	2005 HK\$ Million
Due within 30 days	14.0	11.2
Due after 30 days but within 60 days	5.6	3.9
Due after 60 days but within 90 days	-	0.4
Over 90 days	-	-
	19.6	15.5

9. COMPARATIVE FIGURES

Certain comparative figures have been restated as a result of the changes in accounting policies. Further details are disclosed in note 1.

10. REVIEW OF RESULTS

The financial results for the year ended 31st December, 2006 have been reviewed with no disagreement by the Audit Committee of the Company. Also, this preliminary results announcement has been agreed with the Company's Auditors.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial period under review.

BOOK CLOSURE

The Register of Members of the Company will be closed from Thursday, 3rd May, 2007 to Wednesday, 9th May, 2007, both days inclusive, for the purpose of determining shareholders' entitlements to the proposed final dividend. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Registrars, Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 4.30 p.m. on Wednesday, 2nd May, 2007.

By Order of the Board
Wilson W. S. Chan
Secretary

Hong Kong, 7th March, 2007

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Gonzaga W. J. Li and Mr. T. Y. Ng, together with three independent non-executive Directors, namely, Mr. Brian S. Forsgate, Mr. H. M. V. de Lacy Staunton and Mr. Man Kou Tan.

"Please also refer to the published version of this announcement in The Standard and Hong Kong Economic Journal both dated 8th March, 2007."