Pacific Century Premium Developments
盈科大衍地產發展

PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED

盈 科 大 衍 地 產 發 展 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00432)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2018

The board of directors ("Board") of Pacific Century Premium Developments Limited ("Company") announces the audited consolidated results of the Company and its subsidiaries ("Group") for the year ended December 31, 2018.

SUMMARY

- Consolidated revenue increased by 83 per cent to approximately HK$300 million
- Consolidated operating loss decreased by 20 per cent to approximately HK$228 million
- Loss attributable to equity holders of the Company amounted to approximately HK$437 million
- Basic loss per share: 27.55 Hong Kong cents
- The Board did not recommend the payment of a final dividend

REVIEW OF OPERATIONS

Property investment

Indonesia

The Group's investment, Pacific Century Place, Jakarta ("PCP, Jakarta"), had a stable performance in 2018. Located in the heart of the Sudirman CBD of Jakarta, the 40-storey premium Grade A office building was awarded the Final LEED Platinum Certification for commercial buildings in 2018.

During the year, the demand for premium office space remained healthy. To date, approximately 84% of the office floor space at PCP, Jakarta, has been reserved or committed. We expect the state-of-the-art sustainable features of the building and the new facilities such as the gym and the food court to be favourable to the office leasing market.

The Group's gross rental income amounted to approximately HK$138 million for the year ended December 31, 2018, as compared to approximately HK$3 million in 2017.

Property development

Japan

The project in Hokkaido, Japan will comprise the Park Hyatt Niseko, Hanazono and 114 luxury branded residences named Park Hyatt Niseko Hanazono Residences. A selection of specialty restaurants, extensive meeting space, a golf clubhouse, a ski shop and valet, a destination spa, a fitness centre and a swimming pool will be available.

In 2018, the Group arranged several successful sales events in Japan and Thailand. 98 units have been sold or reserved to date. The development is expected to be completed in late 2019.

Thailand

The Group is proceeding with the design of the first phase of the project in Phang-nga, South Thailand as well as commencing infrastructure construction.

In December 2018, the Group announced the construction of golf course and supporting facilities which are considered beneficial to the overall development.

Hong Kong

In January 2018, the Group acquired 3-6 Glenealy in Central and planned to redevelop it into either a luxury residence or for commercial use (subject to obtaining relevant government approvals).

Recreation and leisure

Japan

The Group's all-season recreational operation is located in Niseko, Hokkaido, Japan, which is one of the premium ski destinations in the world. Various facilities and recreational activities, including ski lifts, ski equipment rental, a ski school and snowmobile tours in winter and rafting tours and golfing in summer, are operated by the Group.

The planning and construction of the new ski centre and ski lifts are in progress, which we expect upon completion would be beneficial to the Group's all-season recreational operation located in Niseko, Hokkaido, Japan.

The Group's revenue from its all-season recreational activities amounted to approximately HK$108 million for the year ended December 31, 2018, as compared to approximately HK$96 million for 2017.

Property and facilities management

Hong Kong

The Group provides exceptional property management and facilities management services to its clients in Hong Kong and generated revenue of approximately HK$28 million for the year ended December 31, 2018, as compared to approximately HK$28 million in 2017.

Other businesses

Other businesses of the Group mainly include property investment in Hong Kong and asset management in Mainland China. The revenue from these other businesses amounted to approximately HK$5 million for the year ended December 31, 2018, as compared to approximately HK$17 million in 2017. The decrease in revenue was mainly due to the end of the asset management business in Mainland China at the end of December 2017.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Note	**For the year ended December 31, 2018**	2017 (Restated)
Revenue	3	**300**	164
Cost of sales		**(50)**	(37)
Gross profit		**250**	127
General and administrative expenses		**(489)**	(433)
Other income		**6**	8
Other gains, net		**1**	12
Surplus on revaluation of investment properties		**4**	—
Operating loss		**(228)**	(286)
Interest income		**40**	59
Finance costs	4	**(201)**	(86)
Loss before taxation	5	**(389)**	(313)
Income tax	6	**(48)**	(26)
Loss attributable to equity holders of the Company		**(437)**	(339)
Other comprehensive (loss)/ income:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences:			
Exchange differences on translating foreign operations		**(250)**	55
Total comprehensive loss		**(687)**	(284)
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	8	**(27.55) cents**	(21.38) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	Note	**As at December 31, 2018**	As at December 31, 2017 (Restated)	As at January 1, 2017 (Restated)
ASSETS AND LIABILITIES				
Non-current assets				
Investment properties	9	**3,599**	3,822	3,266
Property, plant and equipment		**1,328**	534	174
Right-of-use assets		**101**	45	51
Properties under development		**364**	612	402
Properties held for development	10	**2,822**	598	544
Goodwill		**5**	3	3
Financial assets at fair value through profit or loss		**—**	—	3
Restricted cash		**217**	—	—
Prepayments and other receivables		**407**	311	273
		8,843	5,925	4,716
Current assets				
Properties under development		**770**	—	—
Sales proceeds held in stakeholders' accounts		**507**	508	510
Restricted cash		**98**	98	103
Trade receivables, net	11	**19**	14	10
Prepayments, deposits and other current assets		**462**	110	158
Amounts due from fellow subsidiaries		**1**	—	1
Amounts due from related companies		**4**	6	6
Financial assets at fair value through profit or loss		**4**	81	4
Short-term deposits		**—**	1,019	3
Cash and cash equivalents		**864**	2,633	868
		2,729	4,469	1,663

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

HK$ million	Note	**As at December 31, 2018**	As at December 31, 2017 (Restated)	As at January 1, 2017 (Restated)
Current liabilities				
Short-term borrowings		**—**	—	457
Current portion of long-term borrowings		**11**	—	—
Trade payables	12	**14**	23	23
Accruals and other payables		**335**	442	297
Deferred income and contract liabilities		**309**	118	—
Lease liabilities		**41**	22	39
Amount payable to the HKSAR Government under the Cyberport Project Agreement		**322**	321	321
Current income tax liabilities		**7**	6	4
		1,039	932	1,141
Net current assets		**1,690**	3,537	522
Total assets less current liabilities		**10,533**	9,462	5,238
Non-current liabilities				
Long-term borrowings		**6,083**	4,473	—
Other payables		**171**	206	208
Deferred income and contract liabilities		**81**	74	50
Lease liabilities		**62**	23	13
Deferred income tax liabilities		**30**	25	22
		6,427	4,801	293
Net assets		**4,106**	4,661	4,945
CAPITAL AND RESERVES				
Issued equity		**2,846**	2,847	2,847
Reserves		**1,127**	1,814	2,098
Capital and reserves attributable to equity holders of the Company		**3,973**	4,661	4,945
Non-controlling interests		**133**	—	—
		4,106	4,661	4,945

Notes:

1. Basis of Preparation and Principal Accounting Policies

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Companies Ordinance of Hong Kong. The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to the years presented, unless otherwise stated.

The consolidated financial statements for the year ended December 31, 2018 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost convention, except that the following assets are stated at fair value:

- investment properties; and
- financial assets at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 13.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group. The following sets out the changes in accounting policies for the current and prior accounting periods reflected in these consolidated financial statements.

a. Adoption of new/revised accounting standards

Standards and amendments effective for the annual period beginning on January 1, 2018 adopted by the Group

HKAS 40 (Amendment)	Transfers of Investment Property
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to HKFRS 2014 – 2016 Cycle	

The adoption of HKAS 40 (Amendment), HKFRS 2 (Amendment), HK(IFRIC) – Int 22 and Annual Improvements to HKFRS 2014 – 2016 Cycle had no significant impact on the Group's consolidated financial statements.

<u>HKFRS 15 "Revenue from Contracts with Customers"</u>

HKFRS 15 and HKFRS 15 (Amendment) apply to all revenue arising from contracts with customers, unless those contracts are in the scope of other HKFRS. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and the revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferred goods or services to customers. HKFRS 15 requires the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contract with their customers. HKFRS 15 also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

In prior reporting periods, the Group accounted for sales of properties when significant risks and rewards of ownership of properties have been transferred to the customers.

1. Basis of Preparation and Principal Accounting Policies - Continued

a. Adoption of new/revised accounting standards – Continued

HKFRS 15 "Revenue from Contracts with Customers" – Continued

Under HKFRS 15, revenue from the sales of properties is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the properties under development may transfer over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property, which is typically when the property is legally or physically transferred to the customer.

The excess of the cumulative revenue recognised in profit or loss over the cumulative payments made by customers is recognised as contract assets. A contract asset becomes a receivable when the receipt of the consideration is conditional only on the passage of time.

The excess of cumulative payments made by customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

The effect on the adoption of HKFRS 15 is set out in note 2.

HKFRS 9 "Financial Instruments"

HKFRS 9 requires the Group to record an allowance for forward-looking expected credit loss for all loans and other debt financial assets not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. For trade and other receivables, the Group is required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group has applied the standard's simplified approach by measuring the expected credit loss at an amount equal to lifetime expected credit losses. The Group uses a provision matrix that is based on the Group's historical credit loss experience which is adjusted for forward-looking factors specific to the debtors and the economic environment.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards or in the absence of transitional provisions and have been retroactively applied in accordance with the requirements of HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

b. Early adoption of HKFRS 16 "Leases"

HKFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The Group has elected to early adopt HKFRS 16 for the year ended December 31, 2018, as management believes the new accounting standard provides more reliable and relevant information for users. On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. Lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payments that are based on an index or a rate.

1. **Basis of Preparation and Principal Accounting Policies – Continued**

b. Early adoption of HKFRS 16 "Leases" – Continued

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position.

Each lease payment is allocated between the principal repayment of lease liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The effect on the early adoption of HKFRS 16 is set out in note 2.

c. Standards, amendments to standards and interpretations which are not yet effective

The following new standards, amendments and interpretations have been issued but are not yet effective for the year ended December 31, 2018 and which the Group has not early adopted:

HKAS 1 (Amendment) and HKAS 8 (Amendment)	Amendments to Definition of Material [2]
HKFRS 3 (Amendment)	Definition of a Business [2]
HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation [1]
HKFRS 10 and HKAS 28 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture [4]
HKFRS 17	Insurance Contracts [3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments [1]
Annual Improvements to HKFRS 2015-2017 Cycle [1]	

Note:

[1] Effective for annual periods beginning on or after January 1, 2019

[2] Effective for annual periods beginning on or after January 1, 2020

[3] Effective for annual periods beginning on or after January 1, 2021

[4] Effective date to be determined

The Group does not expect the adoption of the above standards that are not yet effective will have a material impact on the Group's future reporting periods and foreseeable future transactions.

2. **Impact on Adoption of New Accounting Standards**

a. HKFRS 15 "Revenue from Contracts with Customers"

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively and has restated comparative numbers for the 2017 financial year. In summary, the deposits received from the sale of properties and other revenue receipt in advance of HK$71 million and HK$231 million under HKAS 18 "Revenue" were reclassified to "Deferred income and contract liabilities" in the consolidated statement of financial position at the date of initial application (January 1, 2018) and December 31, 2018 respectively.

The adoption of HKFRS 15 has no impact to the consolidated statement of comprehensive income and the condensed consolidated statement of cash flows.

2. Impact on Adoption of New Accounting Standards - Continued

b. HKFRS 16 "Leases"

The Group has early adopted HKFRS 16 "Leases" from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transition provisions in HKFRS 16, the Group has adopted the new rules retrospectively and has restated comparative numbers for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the consolidated statement of comprehensive income and the consolidated statement of financial position at the date of initial application (January 1, 2018):

<u>Consolidated Statement of Comprehensive Income</u>

	Year ended December 31,	
HK$ million	**2018**	2017
Decrease/ (increase) in comprehensive loss:		
Decrease in rental expenses	**41**	46
Increase in depreciation	**(41)**	(44)
Increase in finance costs	**(2)**	(1)
Total (increase)/decrease in loss attributable to equity holders of the Company	**(2)**	1
(Increase)/decrease in loss per share (expressed in Hong Kong cents per share)		
Basic and Diluted	**(0.12)**	0.06

<u>Consolidated Statement of Financial Position</u>

HK$ million	**As at December 31, 2018**	As at December 31, 2017	As at January 1, 2017
Increase in right-of-use assets	**101**	45	51
Increase in lease liabilities – current	**41**	22	39
Increase in lease liabilities – non-current	**62**	23	13
Decrease in retained earnings	**2**	—	1

3. Revenue and Segment Information

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resources allocation and assessment of segment performance for the year ended December 31 is set out below:

a. Business segments

	Revenue						Results		Other information	
HK$ million	Revenue from external customers		Inter-segment revenue		Reportable segment revenue		Segment results before taxation		Additions to non-current segment assets	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017 (Restated)	**2018**	2017
All-season recreational activities in Japan	**108**	96	**—**	—	**108**	96	**4**	4	**119**	13
Property investment in Indonesia	**138**	3	**—**	—	**138**	3	**53**	(47)	**63**	650
Property development in Thailand	**—**	—	**—**	—	**—**	—	**(10)**	(4)	**54**	5
Property development in Japan	**—**	—	**—**	—	**—**	—	**(41)**	(39)	**1,162**	478
Property and facilities management in Hong Kong	**28**	28	**—**	—	**28**	28	**3**	2	**—**	—
Property development in Hong Kong	**—**	—	**—**	—	**—**	—	**(14)**	—	**2,172**	—
Property management in Japan	**21**	20	**—**	—	**21**	20	**1**	2	**—**	—
Other businesses (note i)	**5**	17	**2**	2	**7**	19	**2**	3	**—**	—
Elimination	**—**	—	**(2)**	(2)	**(2)**	(2)	**—**	—	**—**	—
Total of reported segments	**300**	164	**—**	—	**300**	164	**(2)**	(79)	**3,570**	1,146
Unallocated	**—**	—	**—**	—	**—**	—	**(387)**	(234)	**8**	1
Consolidated	**300**	164	**—**	—	**300**	164	**(389)**	(313)	**3,578**	1,147

3. Revenue and Segment Information - Continued

a. Business segments - Continued

HK$ million	Assets		Liabilities	
	2018	2017 (Restated)	**2018**	2017 (Restated)
All-season recreational activities in Japan	**279**	144	**30**	27
Property investment in Indonesia	**4,241**	4,380	**413**	489
Property development in Thailand	**695**	605	**19**	10
Property development in Japan	**2,523**	1,043	**1,096**	147
Property and facilities management in Hong Kong	**17**	20	**1**	3
Property development in Hong Kong	**2,302**	—	**806**	—
Property management in Japan	**32**	27	**5**	6
Other businesses (note i)	**71**	75	**8**	11
Total of reported segments	**10,160**	6,294	**2,378**	693
Unallocated	**1,412**	4,100	**5,088**	5,040
Consolidated	**11,572**	10,394	**7,466**	5,733

(i) Revenue from segment below the quantitative thresholds under HKFRS 8 is mainly attributable to the property investment in Hong Kong. This segment has never met any of the quantitative thresholds for determining reportable segments.

(ii) For the year ended December 31, 2018, apart from the rental income from property investment in Indonesia, property investment in Hong Kong and other businesses of HK$140 million (2017: HK$17 million), revenue of all other segments of HK$160 million (2017: HK$147 million) are recognised over time.

b. Geographical information

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, right-of-use assets, properties under development, properties held for development, goodwill, restricted cash and prepayments and other receivables ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of investment properties, property, plant and equipment, right-of-use assets and properties under development/held for development, and the location of the operation to which they are allocated, in case of goodwill, restricted cash and prepayments and other receivables.

HK$ million	Revenue from external customers		Specified non-current assets	
	2018	2017	**2018**	2017 (Restated)
Japan	**132**	116	**1,894**	1,081
Hong Kong (place of domicile)	**30**	33	**2,348**	77
Mainland China	**—**	12	**—**	1
Thailand	**—**	—	**658**	598
Indonesia	**138**	3	**3,943**	4,168
	300	164	**8,843**	5,925

4. Finance Costs

HK$ million	For the year ended December 31, 2018	2017 (Restated)
Interest expenses:		
- Bank borrowings	**25**	40
- Guaranteed notes	**220**	177
- Lease liabilities	**2**	1
- Other finance costs	**3**	3
	250	221
Less: Interest capitalised into investment properties	**—**	(114)
Less: Interest capitalised into properties under development	**(32)**	(19)
Less: Interest capitalised into property, plant and equipment	**(17)**	(2)
	201	86

Borrowing costs have been capitalised at the weighted average rate of the Group's borrowings at 4.61 per cent per annum in 2018 (2017: 5.30 per cent).

5. Loss Before Taxation

Loss before taxation is stated after crediting and charging the following:

HK$ million	For the year ended December 31, 2018	2017 (Restated)
Crediting:		
Gross rental income from investment properties	**140**	5
Other rental income	**—**	12
Less: outgoings	**(7)**	(5)
Charging:		
Depreciation of property, plant and equipment	**27**	22
Depreciation of right-of-use assets		
- properties	**40**	43
- equipment and others	**1**	1
Staff costs, included in:		
- cost of sales	**24**	20
- general and administrative expenses	**154**	157
Contributions to defined contribution retirement schemes:		
- cost of sales	**1**	—
- general and administrative expenses	**6**	5
Share-based compensation expenses	**10**	6
Auditor's remuneration		
- audit services	**4**	5
- non-audit services	**1**	2
Net foreign exchange loss	**1**	6
Short-term leases expenses	**5**	3

6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2017: 16.5 per cent) on the estimated assessable profits for the year.

Taxation for subsidiaries outside Hong Kong has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

	For the year ended December 31,	
HK$ million	**2018**	2017
Hong Kong profits tax		
- Provision for current year	**1**	—
Income tax outside Hong Kong		
- Provision for current year	**42**	23
Deferred income tax		
- Other origination and reversal of temporary differences	**5**	3
	48	26

7. Dividend

	For the year ended December 31,	
HK$ million	**2018**	2017
Final dividend	**—**	—

There was no final dividend paid for 2018 and 2017.

8. Loss Per Share

The calculations of basic and diluted loss per share based on the share capital of the Company are as follows:

	For the year ended December 31,	
	2018	2017 (Restated)
Loss (HK$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	**(437)**	(339)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	**1,587,539,200**	1,587,576,022

Pursuant to the terms of the applicable deed poll, the bonus convertible notes confer upon the holders the same economic interests attached to the bonus shares. The aggregated amount of HK$592,553,354.40 (2017: HK$592,553,354.40) for the outstanding bonus convertible notes which could be converted into 1,185,106,708 (2017: 1,185,106,708) fully paid ordinary shares of HK$0.50 each is included in the weighted average number of ordinary shares for calculating the basic loss per share for the years ended December 31, 2018 and December 31, 2017.

9. Investment Properties

The movements of investment properties during the year are stated as below:

HK$ million	**2018**	2017
At January 1,	**3,822**	3,266
Additions	**44**	647
Surplus on revaluation of investment properties	**4**	—
Transfer to property, plant and equipment (note i)	**—**	(93)
Exchange differences	**(271)**	2
At December 31,	**3,599**	3,822

(i) During the year ended December 31, 2017, a portion of the property has been changed from investment property held for rental purpose to owner-occupied property at the commencement of owner occupation and the respective fair value of HK$93 million has been reclassified to property, plant and equipment at the date of transfer.

10. Properties Held For Development

Properties held for development represents freehold land in Thailand and a property in Hong Kong.

The land in Thailand is held by the Group through a long-term operating lease agreement with the legal owners, 39 per cent owned entities, established to hold the land, whose financial statements have been consolidated into these consolidated financial statements with the carrying amount of HK$650 million (December 31, 2017: HK$598 million).

The Group completed the acquisition of the property located at Nos 3-6 Glenealy, Central, Hong Kong in March 2018. The consideration comprised (i) an initial cash consideration of HK$2,018 million and an adjustment to initial cash consideration of HK$146 million; and (ii) the allotment and issuance of one non-voting participating share of the Company's wholly-owned subsidiary to the seller which entitles the seller the right to 50 per cent of the dividend distributions of the development project. The fair value of the non-voting participating share is estimated to be approximately HK$133 million and is recognised as non-controlling interests in the consolidated statement of financial position as at December 31, 2018. As at December 31, 2018, the carrying amount of HK$2,172 million was recorded as property held for development in the consolidated statement of financial position.

11. Trade Receivables, Net

An aging analysis of trade receivables, based on invoice date and before provision for receivable impairment, is set out below:

HK$ million	**As at December 31, 2018**	As at December 31, 2017
1 – 30 days	**11**	12
31 – 90 days	**8**	2
	19	14

Trade receivables have a normal credit period which ranges up to 30 days from the date of the invoice unless there is separate mutual agreement on extension of the credit period.

12. Trade Payables

An aging analysis of trade payables, based on invoice date, is set out below:

HK$ million	**As at December 31, 2018**	As at December 31, 2017
1 – 30 days	**14**	23

13. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be equal to the related actual results. Management has also made judgements in applying the Group's accounting policies. These judgements and the key sources of estimation uncertainty are discussed below:

(i) Estimated valuation of investment properties

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the Group determines the amount within a range of reasonable fair values estimates. In making its estimates, the Group considers both (i) information from the valuations of investment properties performed by external professional valuers on a market value basis and (ii) other principal assumptions, including the current and expected capitalisation rate, market price and market rent in view of the current usage and condition of the investment properties to determine the fair value of the investment properties. Had the Group used different capitalisation rate, market prices, market rents or other assumptions, the fair value of the investment properties would be different and thus caused impact to the consolidated statement of comprehensive income. As at December 31, 2018, the fair value of the investment properties was HK$3,599 million.

(ii) Cost of sales and amount payable to the HKSAR Government under the Cyberport Project Agreement

Pursuant to the agreement dated May 17, 2000 entered into with the HKSAR Government ("Cyberport Project Agreement"), the HKSAR Government is entitled to receive approximately 65 per cent of the surplus cash flow earned from the Cyberport project. The amounts paid and payable to the HKSAR Government are part of the Group's costs of developing the Cyberport project.

The estimated cost of developing the Cyberport project, including construction costs and the amounts paid and payable to the HKSAR Government is recognised as cost of properties sold. Had the estimates of the development costs been revised, this would have affected the costs of properties sold recorded in the consolidated statement of comprehensive income.

(iii) Creditability of value added tax

As at December 31, 2018, the Group has value added tax ("VAT") payment of Indonesian Rupiah ("IDR") 183,834.4 million (equivalent to HK$98.4 million) arising from the acquisition of a plot of land in Jakarta, Indonesia in October 2013 ("Land VAT") which is classified as "Prepayments and other receivables" under non-current assets. Such Land VAT has been reported as creditable input VAT pending to compensate future output VAT after the tax assessment in 2014. During the year, the Indonesian tax office ("ITO") has performed a tax re-audit and issued an assessment notice stating that the Land VAT is non-creditable resulting in a tax underpayment of IDR183,834.4 million and a penalty of IDR183,834.4 million. The total of tax and penalty of IDR367,668.8 million (approximately HK$197 million) has been paid in advance in August 2018 and has been included in "Prepayments, deposits and other current assets". After consideration of professional advice obtained, the Group has filed an objection to the ITO against the tax assessment. In case the ITO rejects our objection, impairment to the balances would be made and any impairment losses would be recognised in the consolidated statement of comprehensive income.

13. Critical Accounting Estimates and Judgements - Continued

(iv) Deferred income tax

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Group's estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits carried forward in the future, adjustments to the recorded amount of net deferred income tax assets and income tax would be made. As at December 31, 2018, no deferred income tax assets were netted off against the deferred income tax liabilities recognised in the consolidated statement of financial position.

(v) Impairment of investment in a subsidiary and non-financial assets

At the end of each reporting period, the Group reviews internal and external sources of information to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;
— right-of-use assets;
— goodwill;
— properties under/ held for development; and
— investment in a subsidiary (at Company level).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The sources used to identify indications of impairment are often subjective in nature and the Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at the end of any given reporting period.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable value. The recoverable value of property, plant and equipment, right-of-use assets, goodwill and investment in a subsidiary represents the greater of the asset's fair value less cost to sell or its value in use while the recoverable value of properties under/ held for development refers to the net realisable value. Depending on the Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Group may perform such assessment utilising internal resources or the Group may engage external advisors to counsel the Group in making this assessment. Regardless of the resources utilised, the Group is required to make many assumptions to make this assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately HK$300 million for the year ended December 31, 2018, representing an increase of approximately 83 per cent from approximately HK$164 million in 2017. The increase was mainly due to the full operation of the premium Grade A office building in Jakarta, Indonesia.

The consolidated gross profit of the Group for the year ended December 31, 2018 was approximately HK$250 million, representing an increase of approximately 97 per cent from approximately HK$127 million in 2017. For the year ended December 31, 2018, the gross profit margin was 83 per cent as compared to 77 per cent in 2017.

The general and administrative expenses were approximately HK$489 million for the year ended December 31, 2018, representing an increase of approximately 13 per cent from approximately HK$433 million in 2017. Such increase was mainly due to increases in building management costs and professional fees spent for the operation of PCP, Jakarta and increased marketing expenses and professional fees were incurred for property development projects.

The consolidated operating loss for the year ended December 31, 2018 decreased to approximately HK$228 million, as compared to approximately HK$286 million in 2017. Such decrease was mainly due to the operating profits generated from PCP, Jakarta.

The Group recorded higher finance costs of approximately HK$201 million for the year ended December 31, 2018, as compared to approximately HK$86 million for 2017, as the Group had fewer qualifying assets for borrowing costs to be capitalised during the year. The consolidated net loss after taxation of approximately HK$437 million for the year ended December 31, 2018 was reported, as compared to approximately HK$339 million in 2017. Basic loss per share during the year under review was 27.55 Hong Kong cents, as compared to basic loss per share of 21.38 Hong Kong cents in 2017.

Current assets and liabilities

As at December 31, 2018, the Group held current assets of approximately HK$2,729 million (December 31, 2017: HK$ 4,469 million), mainly comprising properties under development held for sale, cash and bank balances, sales proceeds held in stakeholders' accounts, restricted cash and prepayments, deposits and other current assets. The decrease in current assets was mainly attributable to the combined effect of the following: (1) in a transaction where the Group acquired interests in companies which hold properties in Hong Kong, the Group made a cash payment in 2018 for approximately HK$2,164 million; and (2) certain properties under development which were non-current assets have been reclassified to become current assets. Sales proceeds held in stakeholders' accounts amounted to approximately HK$507 million as at December 31, 2018 (December 31, 2017: HK$508 million). The level of restricted cash remained at approximately HK$98 million as at December 31, 2018 (December 31, 2017: HK$98 million). As at December 31, 2018, the current ratio was 2.63 (December 31, 2017: 4.80).

As at December 31, 2018, the Group's total current liabilities amounted to approximately HK$1,039 million, as compared to approximately HK$932 million as at December 31, 2017. The increase was mainly due to the combined effect of the following: (1) the receipt of deposits from the sale of properties; and (2) the decrease in trade payables and accruals and other payables.

Capital structure, liquidity and financial resources

As at December 31, 2018, the Group's borrowings amounted to approximately HK$6,094 million (December 31, 2017: HK$4,473 million). The current reporting period balance represented the amortised cost of financial liabilities in respect of the guaranteed notes of US$570 million issued (equivalent to approximately HK$4,464 million), the drawdown of the principal amount of Japanese Yen ("JPY") 1,500 million under the term loan facility of JPY1,500 million (equivalent to approximately HK$106 million), the drawdown of the principal amount of JPY10,980 million (equivalent to approximately HK$775 million) under the term loan facility of JPY20,000 million (equivalent to approximately HK$1,412 million) together with the HK$808 million drawdown under the Hong Kong dollar loan facility.

On March 9, 2017, PCPD Capital Limited ("PCPD Capital"), an indirect wholly-owned subsidiary of the Company, issued US$570 million 4.75 per cent guaranteed notes ("Notes") due 2022, which are listed on the Singapore Exchange Securities Trading Limited. The Notes are irrevocably and unconditionally guaranteed by the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of PCPD Capital and the Company.

On June 9, 2017, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement under which the lender had agreed to make available a term loan facility up to an aggregate amount of JPY1,500 million ("JPY Facility 2028"). The maturity date of the JPY Facility is in December 2028. Such facility is secured by the land and buildings and a bank account of the indirect wholly-owned subsidiary and the indirect wholly-owned subsidiary is subject to certain financial covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2018, none of the covenants were breached. As at December 31, 2018, JPY1,500 million (December 31, 2017: JPY785 million) has been drawn down and the carrying value of the borrowing represents the loan drawdown of JPY1,500 million (December 31, 2017: JPY785 million) offset by the deferred loan arrangement costs of JPY45 million (December 31, 2017: JPY46 million).

On March 19, 2018, an indirect non-wholly owned subsidiary of the Company entered into a loan agreement under which the lender had agreed to make available a loan facility up to an aggregate amount of HK$808 million ("HK$ Loan"). The maturity date of the HK$ Loan is in March 2020. Such facility is secured by the land and buildings, bank accounts, shares and other assets of the indirect non-wholly owned subsidiaries and the indirect non-wholly owned subsidiary is subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2018, none of the covenants were breached and the carrying value of the borrowing represents the loan drawdown of HK$808 million offset by the deferred loan arrangement costs of HK$5 million.

On March 29, 2018, an indirect wholly-owned subsidiary of the Company (the "Borrower") entered into a term loan facility agreement under which the lender agreed to make available term loan facilities up to an aggregate amount of JPY20,000 million by December 31, 2019. The facility comprises (1) a JPY10,000 million facility for the construction of a branded residence ("JPY Facility 2021") which matures on February 14, 2020 with option to extend to March 31, 2021 and (2) a JPY10,000 million facility for the construction of a branded hotel ("JPY Facility 2023") with maturity date of March 31, 2023. Such facilities are secured by certain land and/or property in case either one of the loans is in default, the reserve accounts, and ordinary and/or preferred shares of the Borrower and an indirect wholly-owned subsidiary (the "Hotel Operator"). The Borrower and the Hotel Operator are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2018, none of the covenants were breached and the carrying value of the borrowing represents the loan drawdown of JPY10,980 million offset by the deferred loan arrangement costs of JPY380 million.

As at December 31, 2018, the net debt-to-equity ratio was 128.8 per cent (as at December 31, 2017: 18.4 per cent). The net debt is calculated from the principal face amount of borrowings of HK$6,153 million less the cash and cash equivalents of HK$864 million.

The Group's borrowings were denominated in US dollars, Hong Kong dollars, and Japanese Yen while the cash and bank deposits were held mainly in US dollars and Hong Kong dollars. The Group has foreign operations, and certain of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. As at December 31, 2018, the assets of the Group in Indonesia, Thailand and Japan represented approximately 37 per cent, 6 per cent and 24 per cent of the Group's total assets respectively. The Group's currency exposure with respect to these operations is subject to fluctuations in the exchange rates of Indonesian Rupiah, Thai Baht and Japanese Yen.

Net cash used in operating activities for the year ended December 31, 2018 was approximately HK$3,006 million, as compared to cash used in operating activities of approximately HK$274 million in 2017 as the Group has made a cash payment in March 2018 for approximately HK$2,164 million in its acquisition of interests in companies which hold properties in Hong Kong, and paid construction costs for the property development project in Japan.

Income tax

The Group's income tax for the year ended December 31, 2018 were approximately HK$48 million, as compared to approximately HK$26 million in 2017. The increase was mainly due to tax charges on the revenue earned from the premium Grade A office building in Jakarta.

Security on assets

As at December 31, 2018, certain assets of the Group with an aggregated carrying value of approximately HK$4,089 million were mortgaged and pledged to the bank as security for the loan facility (December 31, 2017: HK$89 million). Asset with carrying value of approximately HK$5 million pledged for a short-term performance bond as of December 31, 2017 was released during the year of 2018.

Contingent Liabilities

During the year ended 31 December 2018, the Company's indirect wholly-owned subsidiary (the "Taxpayer") in Indonesia, received a tax assessment notice ("2018 Assessment") from the Indonesian tax office ("ITO") in relation to the creditability of value added tax ("VAT") arising from the acquisition of a plot of land in Jakarta, Indonesia in October 2013 ("Land VAT") which amounted to IDR 183,834.4 million (approximately HK$98.4 million).

Such Land VAT has been reported as creditable input VAT in the monthly VAT report for the period of October 2013 to compensate future output VAT after the tax assessment issued in 2014. However, after a tax re-audit which was performed during the year, the ITO issued an assessment notice stating that the Land VAT is non-creditable resulting a tax underpayment of IDR183,834.4 million (approximately HK$98.4 million) and a penalty of IDR183,834.4 million (approximately HK$98.4 million). According to the tax assessment notice, the Taxpayer is required to pay the tax underpayment and penalty totalling IDR367,668.8 million (approximately HK$197 million). After consideration of professional advice, the Group is of the view that the ITO has no basis to issue the 2018 Assessment and an objection has been filed to the ITO against the tax assessment in August 2018 and pending a reply from the ITO. The amounts of tax and penalty demanded in the assessment have been paid in advance in August 2018 and included in "Prepayments, deposits and other current assets" in the consolidated statement of financial position as at December 31, 2018. No provision for impairment has been recognised for the VAT balance as at December 31, 2018.

In addition to the above, the Taxpayer received tax assessment letters from the ITO in dispute of the applicable withholding tax rate that was applied on the shareholder's loan interest payments in the years 2014 and 2015. The tax underpayment including interest charge for the years of 2014 and 2015 amounted to IDR8,095 million (approximately HK$4 million) and IDR14,071 million (approximately HK$8 million) respectively and the Group has filed an objection for the assessments and pending a reply from the ITO. The amounts have been paid in advance in June 2018 and included in "Prepayment, deposits and other current assets" in the consolidated statement of financial position.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2018, the Group employed a total number of 802 staff (inclusive of property management staff borne by owners' account) in Hong Kong and overseas. The remuneration policies of the Group are in line with prevailing industry practices. Bonuses are paid on a discretionary basis taking into account factors such as performances of individual employees and the Group's performance as a whole. The Group provides comprehensive employee benefits, including medical insurance, a choice of provident fund or mandatory provident fund as well as training programs. The Group is also a participating member of the PCCW employee share incentive award schemes.

The Company operates a share option scheme which was adopted by its shareholders at the Company's annual general meeting held on May 6, 2015, and became effective on May 7, 2015 following its approval by PCCW's shareholders ("2015 Scheme"). The 2015 Scheme is valid and effective for a period of 10 years commencing on May 7, 2015. Under the 2015 Scheme, the Board shall be entitled to offer to grant a share option to any eligible participant whom the Board may, at its absolute discretion, select.

DIVIDENDS AND DISTRIBUTION

The Board did not recommend the payment of a final dividend to shareholders nor a final distribution to bonus convertible noteholders for the year ended December 31, 2018 (2017: Nil).

The Board did not declare an interim dividend to shareholders nor an interim distribution to bonus convertible noteholders for the year ended December 31, 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS AND CLOSURE OF REGISTER OF NOTEHOLDERS

The Company's register of members will be closed from May 2, 2019 to May 8, 2019, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all transfers, accompanied by the relevant share certificates, should be lodged with the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on April 30, 2019.

The Company's register of noteholders of bonus convertible notes will be closed from May 2, 2019 to May 8, 2019, both days inclusive, during which period no transfer of bonus convertible notes will be effected. In order to be entitled to attend the forthcoming annual general meeting of the Company, all transfers, accompanied by the relevant note certificates, should be lodged with the bonus convertible note registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on April 30, 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2018, the Company repurchased a total of 280,000 ordinary shares of HK$0.50 each in the capital of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), with the aggregate consideration paid (before expenses) amounting to HK$652,510.00. All the shares repurchased were subsequently cancelled. As at December 31, 2018, the total number of shares of the Company in issue was 402,189,313.

Particulars of the share repurchase are as follows:-

Date	**Number of shares repurchased**	**Purchase price per share**		**Aggregate consideration (before expenses)**
		Highest	**Lowest**	
		HK$	HK$	HK$
October 12, 2018	170,000	2.32	2.31	394,170.00
October 19, 2018	110,000	2.35	2.33	258,340.00
	280,000			652,510.00

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2018.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's audited consolidated financial statements for the year ended December 31, 2018 and has held two meetings during the year.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business and to ensure that its affairs are conducted in accordance with applicable laws and regulations.

The Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on Stock Exchange during the year ended December 31, 2018, except for code provision E.1.2 as the Chairman of the Board was unable to attend the Company's annual general meeting held on May 9, 2018 due to an urgent business trip. Prof Wong Yue Chim, Richard, the Independent Non-Executive Director, chaired the annual general meeting pursuant to the Company's Bye-laws and was available to answer questions.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.pcpd.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2018 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

OUTLOOK

The US Federal Reserve raised its benchmark interest rates for the fourth time this year in December 2018. The central bank also hinted one to two more hikes for the coming year as the economy remains healthy according to key economic indicators. The global economy is likely to continue moderate expansion.

The office leasing market in Jakarta, Indonesia is expected to stay competitive. The record supply of office space, especially in the premium Grade A segment, is expected to slow down over the next two years. However, a relatively high supply may continue to suppress office rents in CBD Jakarta in 2019.

Japan's economy may continue its slow growth in 2019. The government is strengthening its effort in the tourism sector, aiming to host 40 million inbound tourists in 2020. Tourism is likely to be established as a key growth sector. Park Hyatt Niseko, Hanazono, the Group's first co-branded luxury hotel in Japan which is expected to be completed in late 2019, is poised to benefit from the growing number of tourists.

The management will continue to seek potential projects around the world, including Hong Kong, Southeast Asia and London.

By order of the Board
Pacific Century Premium Developments Limited
Timothy Tsang
Company Secretary

Hong Kong, February 21, 2019

As at the date of this announcement, the directors of the Company are as follows:

Executive Directors:
Li Tzar Kai, Richard (Chairman); Lee Chi Hong, Robert (Deputy Chairman and Chief Executive Officer); James Chan; and Hui Hon Hing, Susanna

Non-Executive Director:
Dr Allan Zeman, GBM, GBS, JP

Independent Non-Executive Directors:
Prof Wong Yue Chim, Richard, SBS, JP; Chiang Yun; and Dr Vince Feng

* *For identification only*