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, 2023

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, 2023.

SUMMARY

- Consolidated revenue increased 46 per cent to HK$822 million
- Consolidated operating loss decreased 59 per cent to HK$89 million
- Loss attributable to equity holders of the Company amounted to HK$466 million
- Basic loss per share: 22.89 Hong Kong cents
- The Board did not recommend the payment of a final dividend

REVIEW OF OPERATIONS

Property investment and development

Property investment in Indonesia

In Jakarta, Indonesia, the occupancy of our premium commercial building, Pacific Century Place, Jakarta ("PCP Jakarta"), remained stable throughout the year. At the end of December 31, 2023, the office space occupancy was 83%, compared to 81% the previous year. The gross rental income amounted to HK$239 million for 2023, compared to HK$239 million in 2022.

In the second quarter of 2023, Executive Centre @ PCP, a flexible workplace solution in PCP Jakarta, was launched under the partnership between our premium commercial property and Asia's leading premium flexible workspace provider, The Executive Centre ("TEC"). The strategic partnership was formed at a time when the way in which people work has changed significantly. As a result of the unprecedented COVID-19 pandemic, office workers now demand more flexible work arrangements and workspaces of higher quality.

Property development in Japan

The Group has no revenue from its property development in Japan for the year ended December 31, 2023 and 2022.

Property development and golf operation in Thailand

In Phang Nga, Thailand, 33 percent of phase 1A villas has been sold or reserved. The handover of completed villas and inspection with owners were progressing well during the year. The Group's revenue from its property development in Thailand totalled HK$30 million for the year ended December 31, 2023, compared to HK$24 million in 2022.

Visitors to the golf clubhouse and the 18-hole golf course recorded an uptick and the number of golf rounds increased by 52% year-on-year. For the year ended December 31, 2023, the Group's revenue from its golf operations in Thailand amounted to HK$9 million, compared to HK$5 million in the previous year.

Property development in Hong Kong

Piling work for our property development project at 3–6 Glenealy, Central has been progressing well.

Hotel operations, recreation and leisure operations in Japan

Hotel operations in Japan

Park Hyatt Niseko, Hanazono, our hotel operations in Hokkaido, delivered an excellent performance in 2023, as Japan saw a sharp rise in inbound tourists during the year, which was Park Hyatt Niseko's first full year of operation since the country lifted COVID-related travel restrictions on foreign tourists. The average occupancy of 2023 increased by 7 percentage point.

For the year ended December 31, 2023, the Group's revenue from its hotel operations in Japan amounted to HK$276 million, compared to HK$150 million in 2022.

Recreation and leisure operations in 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. There are various facilities and recreational activities operated by the Group, including "Hanazono EDGE" (a restaurant and entertainment centre), ski lifts, ski equipment rental, a ski school and snowmobile tours in winter, "42ºN Art Hanazono – Mountain Lights", "Hanazono Zipflight", which features the longest zipline in East Asia, rafting tours and golfing in summer.

In the second half of 2022, Japan opened its borders and lifted travel restrictions on foreign visitors. In spring 2023, the remaining COVID-related requirements for tourists - submission of vaccination certificates or pre-departure negative COVID test certificates - were dropped. All these had a significant positive impact on our all-season recreational business in Niseko. At the same time, we scaled up our efforts in promotional activities with a view to luring visitors. Revenue from this segment rose to HK$156 million for the year ended December 31, 2023, from HK$74 million for the year ended December 31, 2022.

Property and facilities management

Hong Kong

The Group provides property management and facilities management services in Hong Kong, and generated a revenue of HK$31 million for the year ended December 31, 2023, compared to HK$31 million in 2022.

Japan

The Group provides property management in Japan, and generated a revenue of HK$68 million for the year ended December 31, 2023, compared to HK$27 million in 2022.

Other businesses

Other businesses of the Group mainly include property investment in Hong Kong. The revenue from these other businesses amounted to HK$13 million for the year ended December 31, 2023 compared to HK$11 million in 2022.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Notes	For the year ended December 31, **2023**	2022
Revenue	2	**822**	561
Cost of sales		**(275)**	(228)
Gross profit		**547**	333
General and administrative expenses		**(665)**	(662)
Other income	3	**29**	114
Operating loss		**(89)**	(215)
Interest income		**21**	14
Finance costs	4	**(332)**	(343)
Loss before taxation	5	**(400)**	(544)
Income tax	6	**(66)**	(54)
Loss attributable to equity holders of the Company		**(466)**	(598)
Other comprehensive loss:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences:			
Exchange differences on translating foreign operations		**(65)**	(733)
Total comprehensive loss		**(531)**	(1,331)
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	8	**(22.89) cents**	(29.34) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	Notes	**As at December 31, 2023**	As at December 31, 2022
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	**3,435**	3,374
Property, plant and equipment		**2,344**	2,531
Right-of-use assets		**30**	32
Properties under development	10a	**142**	2,921
Properties held for development	10b	**427**	422
Goodwill		**4**	4
Financial assets at fair value through profit or loss		**1**	1
Prepayments and other receivables		**181**	194
		6,564	9,479
Current assets			
Properties under development/held for sale	10a	**3,321**	250
Inventories		**20**	19
Sales proceeds held in stakeholders' accounts		**9**	506
Restricted cash		**43**	153
Trade receivables, net	11	**96**	59
Prepayments, deposits and other current assets		**102**	134
Amounts due from related companies		**5**	4
Short-term deposits		**—**	90
Cash and cash equivalents		**865**	596
		4,461	1,811

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

HK$ million	Note	**As at December 31, 2023**	As at December 31, 2022
Current liabilities			
Borrowings		**531**	624
Trade payables	12	**51**	20
Accruals and other payables		**321**	342
Deferred income and contract liabilities		**230**	144
Lease liabilities		**25**	22
Amount payable to the HKSAR Government under the Cyberport Project Agreement		**—**	335
Current income tax liabilities		**14**	8
		1,172	1,495
Net current assets		**3,289**	316
Total assets less current liabilities		**9,853**	9,795
Non-current liabilities			
Borrowings		**8,910**	8,350
Other payables		**185**	185
Deferred income and contract liabilities		**30**	—
Lease liabilities		**13**	17
Deferred income tax liabilities		**33**	30
		9,171	8,582
Net assets		**682**	1,213
CAPITAL AND RESERVES			
Issued equity		**3,802**	3,802
Reserves		**(3,253)**	(2,722)
Capital and reserves attributable to equity holders of the Company		**549**	1,080
Non-controlling interests		**133**	133
		682	1,213

Notes:

1. Basis of Preparation and Material Accounting Policies

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which is a collective term for all individual Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap. 622).

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

The consolidated financial statements for the year ended December 31, 2023 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;
- financial assets at fair value through profit or loss.

During the year ended December 31, 2023, the Group incurred a loss attributable to equity holders of the Company of HK$466 million (2022: HK$598 million).

The directors of the Company have considered the above circumstances and have been regularly monitoring the liquidity position of the Group including the maturity and refinancing of loan facilities, and prepared a cash flow projection, given due and careful consideration to the refinancing needs and financial performance of the Group to assess its liquidity.

Having taken into account the Group's history in obtaining and extending the external financing, as well as future working capital requirements and cash resources, the directors consider the Group has sufficient financial resources to meet its financial obligations as and when they fall due in the next twelve months period ending December 31, 2024. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

The preparation of consolidated financial statements in conformity with HKFRSs 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 HKFRSs that are adopted for the current accounting period of the Group. The following sets out the changes in accounting policies for the current accounting period reflected in these consolidated financial statements.

i. Adoption of new/revised accounting standards

Amendments effective for the annual period beginning on January 1, 2023 adopted by the Group but have no significant impact on the Group's consolidated financial statement:

HKAS 1 (Revised) (Amendments)	Presentation of Financial Statements
HKAS 8 (Amendments)	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 12 (Amendments)	Income Taxes
HKFRS 17	Insurance Contracts

The Group has not early adopted any other new or amended HKFRSs and HKASs that not yet effective for the current accounting period.

1. **Basis of Preparation and Material Accounting Policies - Continued**

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

The following new standards, amendments and interpretation have been issued but are not yet effective for the year ended December 31, 2023 and which the Group has not early adopted:

HKAS 1 (Amendments)	Presentation of Financial Statements [1]
HKAS 7 (Amendments)	Cashflow Statement [1]
HKAS 21 (Amendments)	The Effects of Changes in Foreign Exchange Rates [2]
HKAS 28 (2011) (Amendments)	Investments in Associates and Joint Ventures [3]
HKFRS 7 (Amendments)	Financial Instruments [1]
HKFRS 10 (Amendments)	Consolidated Financial Statements [3]
HKFRS 16 (Amendments)	Leases [1]
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clauses [1]

Notes:

[1] Effective for annual period beginning on or after January 1, 2024

[2] Effective for annual period beginning on or after January 1, 2025

[3] Effective date to be determined

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

2. Revenue and Segment Information

An analysis of revenue and 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

HK$ million	Revenue (note i)						Results		Other information			
	Revenue from external customers		Inter-segment revenue		Reportable segment revenue		Segment results before taxation		Additions to non-current segment assets		Depreciation	
For the year ended December 31,	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
All-season recreational activities in Japan	**156**	74	**—**	—	**156**	74	**3**	(51)	**36**	18	**(40)**	(45)
Property development in Japan	**—**	—	**—**	—	**—**	—	**(24)**	51	**135**	65	**(5)**	(5)
Hotel operations in Japan	**276**	150	**—**	—	**276**	150	**(94)**	(183)	**(7)**	68	**(82)**	(107)
Property management in Japan	**68**	27	**—**	—	**68**	27	**13**	(2)	**—**	—	**—**	—
Property investment in Indonesia	**239**	239	**—**	—	**239**	239	**146**	133	**19**	1	**(6)**	(6)
Property development and golf operation in Thailand	**39**	29	**—**	—	**39**	29	**(34)**	(48)	**(3)**	13	**(12)**	(11)
Property and facilities management in Hong Kong	**31**	31	**—**	—	**31**	31	**7**	9	**—**	—	**—**	—
Property development in Hong Kong	**—**	—	**—**	—	**—**	—	**(14)**	(5)	**98**	150	**(5)**	—
Other businesses (note ii)	**13**	11	**2**	2	**15**	13	**2**	2	**1**	1	**(20)**	(20)
Elimination	**—**	—	**(2)**	(2)	**(2)**	(2)	**—**	—	**—**	—	**(1)**	(1)
Total of reported segments	**822**	561	**—**	—	**822**	561	**5**	(94)	**279**	316	**(173)**	(195)
Unallocated	**—**	—	**—**	—	**—**	—	**(405)**	(450)	**—**	—	**—**	—
Consolidated	**822**	561	**—**	—	**822**	561	**(400)**	(544)	**279**	316	**(173)**	(195)

2. **Revenue and Segment Information – Continued**

a. Business segments - Continued

HK$ million	Assets		Liabilities	
As at December 31,	**2023**	2022	**2023**	2022
All-season recreational activities in Japan	**557**	557	**64**	61
Property development in Japan	**821**	745	**53**	13
Hotel operations in Japan	**1,543**	1,656	**742**	707
Property management in Japan	**157**	72	**135**	60
Property investment in Indonesia	**3,825**	3,820	**317**	283
Property development and golf operation in Thailand	**933**	925	**36**	61
Property and facilities management in Hong Kong	**19**	34	**2**	3
Property development in Hong Kong	**2,739**	2,491	**970**	874
Other businesses (note ii)	**59**	59	**8**	8
Total of reported segments	**10,653**	10,359	**2,327**	2,070
Unallocated	**372**	931	**8,016**	8,007
Consolidated	**11,025**	11,290	**10,343**	10,077

(i) For the years ended December 31, 2023 and 2022, the timing of revenue recognition is as follow:

HK$ million	**2023**	2022
External revenue from contracts with customers:		
Timing of revenue recognition		
- At a point in time	**174**	107
- Over time	**477**	278
External revenue from other sources:		
- Rental income	**171**	176
	822	561

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

2. Revenue and Segment Information – Continued

b. Geographical information

The following table sets out the 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, financial assets at fair value through profit or loss 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, properties under development and properties held for development, and the location of the operation to which they are allocated, in case of goodwill, financial assets at fair value through profit or loss and prepayments and other receivables.

	Revenue from external customers		**Specified non-current assets**	
HK$ million	**2023**	2022	**2023**	2022
Japan	**511**	259	**2,105**	2,600
Hong Kong (place of domicile)	**33**	34	**122**	2,569
Thailand	**39**	29	**720**	729
Indonesia	**239**	239	**3,623**	3,581
	822	561	**6,570**	9,479

3. Other Income

	For the year ended December 31,	
HK$ million	**2023**	2022
Gain on disposal of land (note i)	—	113
Share of forfeited deposit (note ii)	**28**	—
Other	**1**	1
	29	114

i. During the year ended December 31, 2022, the Group settled certain development costs of the property development projects in Japan by way of disposing a piece of land in Japan included in properties under development. A gain on disposal of land of HK$113 million is recognised as a result of the non-cash settlement.

ii. During the year ended December 31, 2023, the Group recognized forfeited deposit income from the Cyberport Project.

4. Finance Costs

HK$ million	For the year ended December 31, **2023**	2022
Interest expenses:		
- Bank borrowings	**145**	77
- Guaranteed notes	**331**	360
- Lease liabilities	**1**	1
- Other finance costs	**—**	3
- Exchange loss on guaranteed notes	**9**	9
	486	450
Less:		
- Interest capitalised into properties under development / held for development	**(154)**	(107)
	332	343

Borrowing costs have been capitalised at the weighted average rate of the Group's borrowings at 5.3 per cent per annum in 2023 (2022: 4.34 per cent).

5. Loss Before Taxation

Loss before taxation is stated after charging the following:

HK$ million	For the year ended December 31, 2023	2022
Cost of properties sold	**28**	64
Cost of inventories sold	**29**	23
Depreciation of property, plant and equipment	**147**	174
Depreciation of right-of-use assets		
- properties	**25**	20
- equipment and others	**1**	1
Loss on disposal of properties, plant and equipment	**1**	4
Outgoings in respect of investment properties	**57**	53
Staff costs, included in:		
- cost of sales	**73**	62
- general and administrative expenses	**190**	180
Contributions to defined contribution retirement schemes, included in:		
- cost of sales	**1**	1
- general and administrative expenses	**4**	4
Auditor's remuneration		
- audit services	**4**	4
Net foreign exchange loss	**3**	4
Variable lease payment expenses	**31**	18
Short-term lease expenses	**5**	3

6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2022: 16.5 per cent) on the estimated assessable profits for the year.

Taxation for subsidiaries outside Hong Kong which mainly in Japan, Indonesia and Thailand 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	**2023**	2022
Hong Kong profits tax		
- Provision for current year	**1**	3
Income tax outside Hong Kong		
- Provision for current year	**62**	49
Deferred income tax	**3**	2
	66	54

7. Dividend

There was no final dividend paid for 2023 and 2022.

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,	
	2023	2022
Loss (HK$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	**(466)**	(598)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	**2,038,276,786**	2,038,276,786

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.

As at December 31, 2023, bonus convertible notes in an aggregated amount of HK$592,552,133.20 (2022: HK$592,552,133.20) have been converted into 1,185,104,266 shares of the Company (2022: 1,185,104,266 shares). The outstanding bonus convertible notes in an aggregated amount of HK$20,021.20 (2022: HK$20,021.20) at the conversion price of HK$0.5 per share convertible into 40,042 (2022: 40,042) have been included in the weighted average number of ordinary shares for calculating the basic loss per share for the years ended December 31, 2023 and December 31, 2022, respectively.

9. Investment Properties

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

HK$ million	**2023**	2022
At January 1,	**3,374**	3,707
Additions	**15**	—
Exchange differences	**46**	(333)
At December 31,	**3,435**	3,374

10. Properties under development/held for sale/held for development

a. Properties under development/held for sale

HK$ million	**2023**	2022
At January 1,	**3,171**	2,932
Additions	**373**	219
Charged to income statement	**(28)**	(23)
Transfer between properties under development and property, plant and equipment	**(27)**	103
Exchange differences	**(26)**	(60)
At December 31,	**3,463**	3,171
Less: Properties under development classified as non-current assets	**(142)**	(2,921)
Properties under development/held for sale classified as current assets	**3,321**	250

(i) Properties under development classified as non-current assets as at December 31, 2023 consists of the freehold land under development in Japan which is held by an indirect wholly-owned subsidiary amounted to HK$142 million. Management performed an assessment of the net realisable value of the development project in Japan included in properties under development as at December 31, 2023. The assessment was based on the discounted cash flow forecast of the development project which involved the use of significant estimates and assumptions such as selling prices, construction costs and discount rate. Changes in the assumptions adopted in the valuation may result in a change in future estimate of the net realisable value of the development project.

(ii) Properties under development/held for sale classified as current assets as at December 31, 2023 consists of HK$469 million (December 31, 2022: HK$83 million) for the branded residences completed and held for sale with other properties under development in Hokkaido, Japan and HK$179 million (December 31, 2022: HK$167 million) for the first phase development project under construction in Thailand and a property in Hong Kong amount to HK$2,673 million (December 31, 2022: Nil).

b. Properties held for development

HK$ million	**2023**	2022
At January 1,	**422**	437
Additions	**1**	2
Exchange differences	**4**	(17)
At December 31,	**427**	422

Properties held for development as at December 31, 2023 represent the freehold land in Thailand which the Group intends to hold for future development projects.

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, 2023**	As at December 31, 2022
1 – 30 days	**96**	59

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, 2023**	As at December 31, 2022
1 – 30 days	**51**	20

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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated valuation of investment properties

The best evidence of fair value is the 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 value 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 rates, 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, 2023, the fair value of the investment properties was HK$3,435 million.

(ii) 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 appropriate 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 of net operating loss carry-forwards in the future, adjustments to the recorded amount of net deferred income tax assets and income tax would be made. As at December 31, 2023, no deferred income tax assets were netted off against the deferred income tax liabilities recognised in the consolidated statement of financial position.

13. Critical Accounting Estimates and Judgements - Continued

(iii) Impairment of 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; and
- properties under development/held for sale/held for development.

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 development/held for sale/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 assessments utilising internal resources or the Group may engage external advisors to counsel the Group. Regardless of the resources utilised, the Group is required to make many assumptions to make these assessments, 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.

No provision for impairment is recognised for the year ended December 31, 2023. (2022: nil)

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was HK$822 million for the year ended December 31, 2023, representing an increase of 46 per cent from HK$561 million in 2022. The increase was mainly due to the increase in operating revenue from hotel operations and all-season recreational operations in Niseko, Hokkaido, Japan.

The consolidated gross profit of the Group for the year ended December 31, 2023 was HK$547 million, representing an increase of 64 per cent from HK$333 million in 2022. For the year ended December 31, 2023, the gross profit margin was 67 per cent compared to 59 per cent in 2022.

The general and administrative expenses were HK$665 million for the year ended December 31, 2023, representing an increase of 0.4 per cent from HK$662 million in 2022. The increase was mainly due to increase in operating costs.

The consolidated operating loss for the year ended December 31, 2023 decreased to HK$89 million as compared to HK$215 million in 2022. Such decrease was mainly due to the improved performance in hotel operations and all-season recreational operations in Niseko, Hokkaido, Japan.

The Group recorded lower finance costs of HK$332 million for the year ended December 31, 2023 compared to HK$343 million for 2022. The decrease was mainly due to decrease in finance costs for guaranteed notes. The consolidated net loss after taxation was HK$466 million for the year ended December 31, 2023, as compared to HK$598 million in 2022. Basic loss per share during the year under review was 22.89 Hong Kong cents compared to basic loss per share of 29.34 Hong Kong cents in 2022.

Current assets and liabilities

As at December 31, 2023, the Group held current assets of HK$4,461 million (December 31, 2022: HK$1,811 million), mainly comprising properties under development/held for sale, cash and cash equivalent, short-term deposits, sales proceeds held in stakeholders' accounts, restricted cash, and prepayments, deposits and other current assets. The increase in current assets is mainly attributable to transfer of Property under development to current portion. Sales proceeds held in stakeholders' accounts amounted to HK$9 million as at December 31, 2023 (December 31, 2022: HK$506 million). The level of restricted cash decreased to HK$43 million as at December 31, 2023 (December 31, 2022: HK$153 million).

As at December 31, 2023, the Group's total current liabilities amounted to HK$1,172 million, as compared to HK$1,495 million as at December 31, 2022. The decrease was mainly due to the amount payable to the HKSAR Government under the Cyberport Project Agreement was settled in 2023. As at December 31, 2023, the current ratio was 3.81 (December 31, 2022: 1.21).

Capital structure, liquidity and financial resources

As at December 31, 2023, the Group's borrowings amounted to HK$9,441 million (December 31, 2022: HK$8,974 million). The balance as at December 31, 2023 represented the amortised cost of financial liabilities in respect of the 5.125% guaranteed notes of US$800 million issued (equivalent to HK$6,220 million), the total outstanding principal amount of Japanese Yen ("JPY") 10,990 million (equivalent to HK$604 million) under all JPY loan facilities, together with the principal amount of HK$2,632 million under the Hong Kong dollar loan facilities.

On June 18, 2021, PCPD Capital issued in aggregate principal amount of US$800 million 5.125% new guaranteed notes due 2026 ("New Notes"), which are listed on the Singapore Exchange Securities Trading Limited. The estimated fair value of the option of the early redemption and repurchase rights are recognised as financial assets at fair value through profit or loss. The New Notes are irrevocably and unconditionally guaranteed by the Company. The New Notes rank pari passu among themselves and with all other present and future 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 which the lender had agreed to make available a term loan facility up to an aggregate amount of JPY1,500 million ("JPY Facility 2026"). The maturity date of the JPY Facility 2026 is December 2026. 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, 2023, none of the covenants were breached. The carrying value of the borrowing as at December 31, 2023 represents the outstanding principal amount of JPY450 million (equivalent to HK$25 million) (December 31, 2022: JPY600 million) offset by the deferred arrangement costs of JPY8 million (equivalent to HK$1 million) (December 31, 2022: JPY14 million).

In April, 2021, a project development loan facility was entered by an indirect wholly-owned subsidiary of the Company which the lenders agreed to make available a term loan facility up to an aggregate amount of HK$1,382 million ("HK$ Loan 2026"). The maturity date for the HK$ Loan 2026 is the earlier of April 13, 2026 or twelve months after occupation permit of the development project in Hong Kong being issued by the building authority. The HK$ Loan 2026 is secured by certain land and property, bank accounts, shares and other assets of the indirect non-wholly owned subsidiaries and the Company and the indirect non-wholly owned subsidiary are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As of December 31, 2023, none of the covenants were breached and the carrying value of the HK$ Loan 2026 represents the loan drawdown of HK$954 million (December 31, 2022: HK$880 million) offset by the deferred loan arrangement costs of HK$2 million (December 31, 2022: HK$10 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. 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 an 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 a maturity date of March 31, 2023. In February 2020, the Borrower has fully repaid the JPY Facility 2021. The JPY Facility 2023 is secured by certain land and property, ordinary and/or preferred shares of the Borrower and an indirect wholly-owned subsidiary of the Company (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 of December 31, 2023, none of the covenants were breached and the carrying value of the JPY Facility 2023 represents the outstanding principal amount of JPY10,000 million (equivalent to HK$550 million) (December 31, 2022: JPY10,000 million) offset by the deferred loan arrangement costs of JPY14 million (equivalent to HK$1 million) (December 31, 2022: JPY14 million).

On June 11, 2019, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement under which the lender agreed to make available a term loan facility up to an aggregate amount of HK$1,170 million. On June 27, 2022, an amendment of the term loan facility agreement was entered, and the available term loan facility was upsized to HK$1,340 million. The maturity date of the term loan facility is in June 2024 ("HK$ Loan 2024"). On December 29, 2023, the HK$ Loan 2024 was renewed with maturity date in December 2026 at latest drawdown amount HK$1,208 million. Such facility is secured by the land and buildings, bank accounts, shares and other assets of certain indirect wholly-owned subsidiaries of the Company. The Company and the indirect wholly-owned subsidiary are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2023, none of the covenants were breached and the carrying value of the borrowing represents the loan drawdown of HK$1,208 million (December 31, 2022: HK$1,258 million) offset by the deferred loan arrangement fees of HK$11 million (December 31, 2022: HK$5 million).

On August 1, 2023, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement under which the lender agreed to make available a term loan facility up to an aggregate amount of HK$780 million. The maturity date of the term loan facility is in July 2024 ("HK$ Loan 2023"). Such facility is secured by corporate guarantee of the company, certain indirect wholly-owned subsidiaries of the Company and PCCW Limited ("PCCW") up to its percentage of interest of the issued share capital of the Company. The Company and the indirect wholly-owned subsidiary are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2023, none of the covenants were breached and the carrying value of the borrowing represents the loan drawdown of HK$470 million (December 31, 2022: Nil).

As at December 31, 2023, the net debt-to-equity ratio was 1,257 per cent (as at December 31, 2022: 687.7 per cent). The net debt is calculated from the aggregated principal amounts of borrowings of HK$9,441 million less the aggregate of cash and cash equivalents and short term deposits of HK$865 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, 2023, the assets of the Group in Indonesia, Thailand and Japan represented 35 per cent, 8 per cent and 28 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.

Cash generated from operating activities for the year ended December 31, 2023 was HK$248 million compared to cash used in operating activities of HK$101 million in 2022. The change in operating cash flow was mainly due to the sales proceed held in stakeholders' accounts were released from the Cyberport Project Agreement with HKSAR Government.

Income tax

The Group's income tax for the year ended December 31, 2023 was HK$66 million, as compared to HK$54 million in 2022. The increase was mainly due to the increase of withholding tax charged on the intercompany loan interest.

Security on assets

As at December 31, 2023, certain assets of the Group with an aggregated carrying value of HK$7,759 million were mortgaged and pledged to the bank as security for the loan facility (December 31, 2022: HK$7,713 million).

Contingent liabilities

There was no contingent liabilities during the year ended 31 December 2023.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2023, the Group employed a total number of 1,353 staff in Hong Kong and overseas (inclusive of property management staff borne by owners' account and seasonal staff employed overseas) (2022: 1,188 staff). 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 performance 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 and training programmes. 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 the 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, 2023 (2022: 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, 2023 (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS AND CLOSURE OF REGISTER OF NOTEHOLDERS

The register of members and the register of noteholders of bonus convertible notes of the Company will be closed from May 24, 2024 to May 29, 2024, both days inclusive, during which period no transfer of shares and bonus convertible notes of the Company will be effected.

(a) In the case of shares of the Company, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on May 23, 2024; and

(b) In the case of bonus convertible notes of the Company, in order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, the notice of conversion accompanied by the relevant note certificate and payment of the necessary amount should be surrendered to and deposited with the Company's registrar in respect of the bonus convertible notes, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for conversion into shares of the Company no later than 4:30 p.m. on April 5, 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2023, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's audited consolidated financial statements for the year ended December 31, 2023 and 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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended December 31, 2023.

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 2023 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

OUTLOOK

The world economy has experienced enormous volatility in the past few years. Entering 2024, it may remain on a precarious footing amid uncertainties. We remain cautiously optimistic while proactively looking for new opportunities. Global economic growth in the coming year is likely to slow, whereas inflation should ease further and rate cuts may come into focus in the year, setting the stage for a gradual recovery of the world economy. It remains to be seen whether the US economy can achieve a soft landing.

As a forward-looking property developer, we are attentive to the dynamic market conditions, consumption behaviour and economic landscape. A series of carefully crafted sales and marketing initiatives tailored for the post-pandemic era will be rolled out in all markets where we have operations, with a view to nurturing relationships and attracting potential international tenants, travellers and high-net-worth buyers worldwide.

International tourism looks well on track to return to pre-pandemic levels in the year to come. Notwithstanding growth in 2024 is expected to be slower than the year before, we have laid a solid foundation to capitalise on the upward trend, especially in the Asia-Pacific region.

We are cautiously optimistic about the property sectors in Hong Kong, Japan, Thailand and Indonesia in the long run. We will formulate our cost and revenue strategies in preparation for unforeseen situations and also to enhance our business performance.

By Order of the Board
Pacific Century Premium Developments Limited
Cheung Kwok Kuen Alan
General Counsel and Company Secretary

Hong Kong, February 21, 2024

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

Executive Directors:
Li Tzar Kai, Richard; and Benjamin Lam Yu Yee (Deputy Chairman and Group Managing Director)

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

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

** For identification only*