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, 2020

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, 2020.

SUMMARY

- Consolidated revenue increased by 82 per cent to approximately HK$1,843 million
- Consolidated operating loss increased by 524 per cent to approximately HK$462 million
- Loss attributable to equity holders of the Company amounted to approximately HK$749 million
- Basic loss per share: 47.19 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 during the year. At the end of December 31, 2020, office space occupancy was at 81%. The gross rental income amounted to approximately HK$240 million for 2020, as compared to approximately HK$217 million in 2019.

Property development in Japan

In Hokkaido, Japan, 110 units of the Park Hyatt Niseko Hanazono Residences ("Branded Residences") have been sold or reserved to date with the majority of units handed over in early 2020.

The Group's revenue from its property development in Japan amounted to approximately HK$1,364 million for the year ended December 31, 2020, as compared to approximately HK$618 million in 2019.

Property development in Thailand

In Phang Nga, Thailand, the construction of the golf and country club house has completed and the construction of an 18-hole golf course has been substantially completed. Depending on the COVID-19 pandemic situation, the golf course and golf club are expected to commence operations in mid-2021. We have commenced sales of the first batch of villas in 2019. Further sales and marketing activities are planned in 2021.

Property development in Hong Kong

The Group is currently planning for the redevelopment of the 3-6 Glenealy site into a luxury residential development in the heart of Central, Hong Kong.

Hotel operations, recreation and leisure operation in Japan

Hotel operations in Japan

Our hospitality and resort businesses in Niseko, Hokkaido have been affected by the COVID-19 pandemic with various travel restrictions and social distancing measures. The Park Hyatt Niseko, Hanazono has suspended part of its food and beverage facilities and recreational services depending on the demand and number of guests since last April to prevent the spread of the virus and save costs. Whilst the Park Hyatt Niseko, Hanazono has sought to focus on the domestic Japanese market and travellers, the COVID-19 situation in Japan remains unstable with various surges of reported cases.

As such, it has substantially affected the Group's hotel operations in Japan. The revenue amounted to approximately HK$84 million for the year ended December 31, 2020.

Given the uncertainty in the operating environment as a consequence of COVID-19 and the dampened global economic outlook of the hospitality industry which will take time to fully recover, the appraised value of Park Hyatt Niseko, Hanazono has decreased and an impairment loss of HK$229 million has been recognised for the year ended December 31, 2020.

Recreation and leisure operation 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 the winter, and rafting tours and golfing in the summer.

Also severely affected by the COVID-19 impact on the tourism industry in Niseko which started from the end of February 2020, the business recorded a 21 per cent drop in the all-season recreational activities revenues from HK$111 million for the year ended December 31, 2019 to HK$88 million for the year ended December 31, 2020.

Property and facilities management

Hong Kong

The Group provides property management and facilities management services in Hong Kong and generated revenue of approximately HK$29 million for the year ended December 31, 2020, as compared to approximately HK$30 million for the corresponding period in 2019.

Other businesses

Other businesses of the Group mainly include property management services in Japan and property investment in Hong Kong. The revenue from these other businesses amounted to approximately HK$38 million for the year ended December 31, 2020, as compared to approximately HK$37 million for the corresponding period in 2019.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Note	For the year ended December 31, 2020	2019
Revenue	2	**1,843**	1,015
Cost of sales		**(1,394)**	(469)
Gross profit		**449**	546
General and administrative expenses		**(687)**	(620)
Other income		**5**	—
Other loss	3	**(229)**	—
Operating loss		**(462)**	(74)
Interest income		**9**	20
Finance costs	4	**(246)**	(176)
Loss before taxation	5	**(699)**	(230)
Income tax	6	**(50)**	(65)
Loss attributable to equity holders of the Company		**(749)**	(295)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences:			
Exchange differences on translating foreign operations		**72**	213
Total comprehensive loss		**(677)**	(82)
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	8	**(47.19) cents**	(18.61) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	Note	**As at December 31, 2020**	As at December 31, 2019
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	**3,699**	3,762
Property, plant and equipment		**3,337**	3,392
Right-of-use assets		**30**	77
Properties under development		**345**	291
Properties held for development	10	**2,712**	2,653
Goodwill		**5**	5
Financial assets at fair value through profit or loss		**1**	1
Prepayments and other receivables		**265**	305
		10,394	10,486
Current assets			
Properties under development/held for sale		**279**	1,421
Inventories		**17**	9
Sales proceeds held in stakeholders' accounts		**504**	506
Restricted cash		**113**	594
Trade receivables, net	11	**27**	24
Prepayments, deposits and other current assets		**448**	739
Amounts due from fellow subsidiaries		**1**	1
Amounts due from related companies		**6**	6
Financial assets at fair value through profit or loss		**2**	5
Cash and cash equivalents		**1,202**	1,378
		2,599	4,683

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

HK$ million	Note	As at December 31, 2020	As at December 31, 2019
Current liabilities			
Short-term borrowings		**807**	1,517
Current portion of long-term borrowings		**11**	11
Trade payables	12	**14**	49
Accruals and other payables		**713**	1,068
Deferred income and contract liabilities		**90**	441
Lease liabilities		**27**	44
Amount payable to the HKSAR Government under the Cyberport Project Agreement		**330**	325
Current income tax liabilities		**11**	7
		2,003	3,462
Net current assets		**596**	1,221
Total assets less current liabilities		**10,990**	11,707
Non-current liabilities			
Long-term borrowings		**7,385**	7,372
Other payables		**178**	175
Deferred income and contract liabilities		**34**	58
Lease liabilities		**7**	34
Deferred income tax liabilities		**39**	44
		7,643	7,683
Net assets		**3,347**	4,024
CAPITAL AND RESERVES			
Issued equity		**3,438**	2,846
Reserves		**(224)**	1,045
Capital and reserves attributable to equity holders of the Company		**3,214**	3,891
Non-controlling interests		**133**	133
		3,347	4,024

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 ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. 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, 2020 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.

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

Standards and amendments effective for the annual period beginning on January 1, 2020 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 39 (Amendments)	Financial Instruments: Recognition and Measurement
HKFRS 3 (Revised) (Amendments)	Business Combinations
HKFRS 7 (Amendments)	Financial Instruments: Disclosures
HKFRS 9 (2014) (Amendments)	Financial Instruments
HKFRS 16 (Amendments)	Leases

Conceptual Framework for Financial Reporting 2018

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 Principal Accounting Policies – Continued**

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

The following new standards and amendments have been issued but are not yet effective for the year ended December 31, 2020 and which the Group has not early adopted:

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current [2]
HKAS 16 (Amendments)	Property, Plant and Equipment [1]
HKAS 28 (2011) (Amendments)	Investments in Associates and Joint Venture[3]
HKAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets [1]
HKFRS 3 (Revised) (Amendments)	Business Combinations [1]
HKFRS 10	Consolidated Financial statements[3]
HKFRS 17	Insurance Contracts [2]
Annual Improvements to HKFRS (Amendments)	Annual Improvements 2018-2020 [1]

Note:
[1] Effective for annual periods beginning on or after January 1, 2022
[2] Effective for annual periods beginning on or after January 1, 2023
[3] 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. **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

	Revenue (note i)						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	
For the year ended December 31,	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
All-season recreational activities in Japan	**88**	111	**—**	—	**88**	111	**(18)**	(21)	**123**	232
Property investment in Indonesia	**240**	217	**—**	—	**240**	217	**119**	107	**13**	13
Property development in Thailand	**—**	—	**—**	—	**—**	—	**(21)**	(18)	**81**	96
Property development in Japan	**1,364**	618	**—**	—	**1,364**	618	**62**	181	**38**	11
Hotel operations in Japan (note ii)	**84**	2	**2**	8	**86**	10	**(480)**	(67)	**9**	1,512
Property and facilities management in Hong Kong	**29**	30	**—**	—	**29**	30	**6**	3	**—**	—
Property development in Hong Kong	**—**	—	**—**	—	**—**	—	**(17)**	(29)	**55**	2
Other businesses (note iii)	**38**	37	**2**	2	**40**	39	**(2)**	(2)	**4**	—
Elimination	**—**	—	**(4)**	(10)	**(4)**	(10)	**—**	—	**—**	—
Total of reported segments	**1,843**	1,015	**—**	—	**1,843**	1,015	**(351)**	154	**323**	1,866
Unallocated	**—**	—	**—**	—	**—**	—	**(348)**	(384)	**4**	6
Consolidated	**1,843**	1,015	**—**	—	**1,843**	1,015	**(699)**	(230)	**327**	1,872

2. Revenue and Segment Information – Continued

a. Business segments - Continued

HK$ million	Assets		Liabilities	
As at December 31,	**2020**	2019	**2020**	2019
All-season recreational activities in Japan	**651**	553	**75**	69
Property development in Japan	**1,032**	2,852	**285**	1,651
Hotel operations in Japan (note ii)	**2,344**	2,656	**853**	892
Property investment in Indonesia	**4,428**	4,459	**333**	374
Property development in Thailand	**1,048**	894	**65**	47
Property and facilities management in Hong Kong	**22**	18	**3**	3
Property development in Hong Kong	**2,342**	2,304	**809**	810
Other businesses (note iii)	**93**	90	**18**	16
Total of reported segments	**11,960**	13,826	**2,441**	3,862
Unallocated	**1,033**	1,343	**7,205**	7,283
Consolidated	**12,993**	15,169	**9,646**	11,145

(i) For the years ended December 31, 2020 and 2019, the timing of revenue recognition is as follow:

HK$ million	**2020**	2019
External revenue from contracts with customers:		
Timing of revenue recognition		
- At a point in time	**1,416**	648
- Over time	**252**	213
External revenue from other sources:		
- Over time	**175**	154
	1,843	1,015

(ii) In January 2020, the Park Hyatt Niseko, Hanazono commenced its hotel operations. Together with the Midtown Niseko hotel (“Hotel operations in Japan”), the Group provides hospitality services to guests and travellers in Niseko, Hokkaido, Japan. The reportable segment “Hotel operations in Japan” is presented as an operating division for current and comparative periods. Comparative information for 2019 has been amended accordingly to conform with this change in classification adopted in current year. These amendments and reclassifications have no impact on the loss for the current and comparative periods nor on the assets and liabilities of the Group as at December 31, 2020 and 2019.

(iii) Revenue from segment below the quantitative thresholds under HKFRS 8 “Operating Segments” is mainly attributable to property management in Japan and 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 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 and prepayments and other receivables.

	Revenue from external customers		**Specified non-current assets**	
HK$ million	**2020**	2019	**2020**	2019
Japan	**1,569**	757	**3,240**	3,306
Hong Kong (place of domicile)	**34**	41	**2,328**	2,329
Thailand	—	—	**835**	753
Indonesia	**240**	217	**3,991**	4,098
	1,843	1,015	**10,394**	10,486

3. Other Loss

	For the year ended December 31,	
HK$ million	**2020**	2019
Provision for impairment of property, plant and equipment	**229**	—

4. Finance Costs

HK$ million	For the year ended December 31, 2020	2019
Interest expenses:		
- Bank borrowings	**68**	78
- Guaranteed notes	**279**	231
- Lease liabilities	**1**	2
- Other finance costs	**3**	3
	351	314
Less:		
- Interest capitalised into properties under development/held for sale	**(62)**	(82)
- Interest capitalised into property, plant and equipment	**(18)**	(25)
- Exchange gain on guaranteed notes	**(25)**	(31)
	246	176

Borrowing costs have been capitalised at the weighted average rate of the Group's borrowings at 4.17 per cent per annum in 2020 (2019: 4.29 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, **2020**	2019
Crediting:		
Gross rental income from investment properties	**240**	217
Less: outgoings	**(54)**	(52)
Charging:		
Cost of properties sold	**1,253**	408
Cost of inventories sold	**6**	3
Depreciation of property, plant and equipment	**188**	41
Depreciation of right-of-use assets		
- properties	**46**	42
- equipment and others	**1**	1
Loss on disposal of properties, plant and equipment	**2**	2
Staff costs (note i), included in:		
- cost of sales	**24**	28
- general and administrative expenses	**201**	216
Contributions to defined contribution retirement schemes, included in:		
- cost of sales	**1**	1
- general and administrative expenses	**5**	6
Share-based compensation expenses	**3**	6
Auditor's remuneration		
- audit services	**4**	4
- non-audit services	**1**	1
Net foreign exchange (gain)/loss	**(33)**	4
Variable lease payment expenses	**9**	—
Short-term lease expenses	**2**	4

(i) For the year ended December 31, 2020, the Group received subsidies from governments to aid the economic pressures from COVID-19 to the Group of which HK$9 million and HK$6 million are netted off with staff costs in the Group's cost of sales and general and administrative expenses respectively.

6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2019: 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.

HK$ million	For the year ended December 31, **2020**	2019
Hong Kong profits tax		
- Provision for current year	**1**	—
Income tax outside Hong Kong		
- Provision for current year	**54**	51
Deferred income tax	**(5)**	14
	50	65

7. Dividend

HK$ million	For the year ended December 31, **2020**	2019
Final dividend	**—**	—

There was no final dividend paid for 2020 and 2019.

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,	
	2020	2019
Loss (HK$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	**(749)**	(295)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	**1,587,296,022**	1,587,296,022

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. On September 29, 2020, bonus convertible notes in an aggregate amount of HK$592,533,333.20 at the conversion price of HK$0.50 per share were converted into 1,185,066,666 shares of the Company.

As at December 31, 2020, bonus convertible notes in an aggregated amount of HK$592,552,133.20 (2019: HK$18,800) have been converted into 1,185,104,266 shares of the Company (2019: 37,600 shares). The outstanding bonus convertible notes in an aggregated amount of HK$20,021.20 (2019: HK$592,553,354.40) at the conversion price of HK$0.50 per share convertible into 40,042 (2019: 1,185,106,708) have been included in the weighted average number of ordinary shares for calculating the basic loss per share for the years ended December 31, 2020 and December 31, 2019, respectively.

9. Investment Properties

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

HK$ million	**2020**	2019
At January 1,	**3,762**	3,599
Additions	**12**	10
Exchange differences	**(75)**	153
At December 31,	**3,699**	3,762

10. Properties Held For Development

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

As at December 31, 2020, the carrying amount of the freehold land in Thailand of HK$483 million (December 31, 2019: HK$479 million) was recorded under properties held for development in the consolidated statement of financial position.

During the year ended December 31, 2019, a portion of land and construction costs in relation to the construction of a golf course and a golf and country club of HK$195 million and the land in relation to the first phase development of HK$47 million have been transferred from properties held for development to property, plant and equipment and properties under development respectively.

As at December 31, 2020, the carrying amount of the property in Hong Kong of HK$2,229 million (2019: HK$2,174 million) was recorded as properties held for development in the consolidated statement of financial position. Management performed an assessment of the net realisable value of the development project based on the residual method which involved the use of significant estimates and assumptions such as expected selling prices and construction costs. Changes in the assumptions adopted in the valuation may result in a change in future estimates of the net realisable value of the development project.

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, 2020**	As at December 31, 2019
1 – 30 days	**23**	24
31 – 90 days	**4**	—
	27	24

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, 2020**	As at December 31, 2019
1 – 30 days	**14**	49

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, 2020, the fair value of the investment properties was HK$3,699 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, 2020, the Group has value added tax ("VAT") payment of Indonesian Rupiah ("IDR") 183,834.4 million (equivalent to HK$100.6 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. In year 2018, 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$201 million) has been paid in advance in August 2018 and included in "Prepayments, deposits and other current assets". The Group has filed an objection against the tax assessment in August 2018 and the ITO issued a decision letter to reject the Group's objection in July 2019. After consideration of professional advice, the Group remains of the view that the ITO has no basis to issue the 2018 Assessment and the Group lodged an appeal to the tax court in September 2019. The Group had attended the tax court hearings during the year ended December 31, 2020 and the process is still ongoing. In case the Group loses the appeal, 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 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, 2020, 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 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.

For the year ended December 31, 2020, provision for impairment of HK$229 million was recognised on the property, plant and equipment of the hotel operations in Japan segment.

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately HK$1,843 million for the year ended December 31, 2020, representing an increase of approximately 82 per cent from approximately HK$1,015 million in 2019. The increase was mainly due to sales of properties in Japan.

The consolidated gross profit of the Group for the year ended December 31, 2020 was approximately HK$449 million, representing a decrease of approximately 18 per cent from approximately HK$546 million in 2019. For the year ended December 31, 2020, the gross profit margin was 24 per cent as compared to 54 per cent in 2019.

The general and administrative expenses were approximately HK$687 million for the year ended December 31, 2020, representing an increase of 11 per cent from approximately HK$620 million in 2019. The increase was mainly due to increases in hotel operating costs and building depreciation derived from the commencement of hotel operations in January 2020.

The consolidated operating loss for the year ended December 31, 2020 increased to approximately HK$462 million, as compared to approximately HK$74 million in 2019. Such increase in loss was mainly due to the adverse impact of COVID-19 on the Group's hotel operations in Niseko, Hokkaido, Japan and the one-off non-cash impairment loss on Park Hyatt Niseko, Hanazono. Given the uncertainty in the operating environment and the dampened global economic outlook of the hospitality industry which takes time to fully recover, management performed impairment assessment on the hotel property and a provision for impairment of HK$229 million was recognised in 2020.

The Group recorded higher finance costs of approximately HK$246 million for the year ended December 31, 2020 as compared to approximately HK$176 million for 2019. The increase was due to the decrease in capitalisation of borrowing costs as a result of the completion of Park Hyatt Niseko, Hanazono and Park Hyatt Niseko Hanazono Residences in Japan in late 2019. The consolidated net loss after taxation of approximately HK$749 million for the year ended December 31, 2020 was reported, as compared to approximately HK$295 million in 2019. Basic loss per share during the year under review was 47.19 Hong Kong cents, as compared to basic loss per share of 18.61 Hong Kong cents in 2019.

Current assets and liabilities

As at December 31, 2020, the Group held current assets of approximately HK$2,599 million (December 31, 2019: HK$4,683 million), mainly comprising properties under development/held for sale, cash and bank balances, sales proceeds held in stakeholders' accounts, restricted cash, inventories and prepayments, deposits and other current assets. The decrease in current assets is mainly attributable to (i) the decrease in properties under development/held for sale from approximately HK$1,421 million in December 31, 2019 to approximately HK$279 million due to the recognition of cost of sales upon the handover of Branded Residences; and (ii) the decrease in restricted cash and cash and cash equivalents due to the settlement of construction costs and repayment short term bank borrowing. Sales proceeds held in stakeholders' accounts amounted to approximately HK$504 million as at December 31, 2020 (December 31, 2019: HK$506 million). The level of restricted cash decreased to approximately HK$113 million as at December 31, 2020 (December 31, 2019: HK$594 million).

As at December 31, 2020, the Group's total current liabilities amounted to approximately HK$2,003 million, as compared to approximately HK$3,462 million as at December 31, 2019. The decrease was mainly due to the repayment of certain bank borrowings and settlement of construction costs during the year. As at December 31, 2020, the current ratio was 1.30 (December 31, 2019: 1.35).

Capital structure, liquidity and financial resources

As at December 31, 2020, the Group's borrowings amounted to approximately HK$8,203 million (December 31, 2019: HK$8,900 million). The balance as at December 31, 2020 represented the amortised cost of financial liabilities in respect of the guaranteed notes of US$700 million issued (equivalent to approximately HK$5,427 million), the total outstanding principal amount of Japanese Yen ("JPY") 11,200 million (equivalent to approximately HK$839 million) under all JPY loan facilities together with the principal amount of HK$1,978 million under the Hong Kong dollar loan facilities.

On March 9, 2017, PCPD Capital Limited ("PCPD Capital"), an indirect wholly-owned subsidiary of the Company, issued the US$570 million 4.75% guaranteed notes ("Notes") due 2022, which are listed on the Singapore Exchange Securities Trading Limited. On October 3, 2019, further guaranteed notes (the "Future Notes") of US$130 million were issued by PCPD Capital. The Notes and Future 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 2028 is in December 2028. Such facility is secured by the land and buildings and a bank account of the indirect wholly-owned subsidiary and is subject to certain financial covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2020, none of the covenants were breached.

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$808 million. On March 20, 2020, the loan was extended with maturing date in March 2021 ("HK$ loan 2021"). Such facility is payable on demand and secured by the land and buildings, bank accounts, shares and other assets of certain indirect non-wholly owned subsidiaries of the Company.

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 facilities comprise (1) a JPY10,000 million facility for the construction of a branded residence ("JPY Facility 2021") which matured 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. The Borrower fully repaid the JPY Facility 2021 in February 2020. The JPY Facility 2023 is secured by certain land and property and 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 ratio covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2020, none of the covenants were breached.

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 term loan facility up to an aggregate amount of HK$1,170 million ("HK$ Loan 2024"). The maturity date of the HK$ Loan 2024 is in June 2024. 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, 2020, none of the covenants were breached.

As at December 31, 2020, the net debt-to-equity ratio was 210.4 per cent (as at December 31, 2019: 188.2 per cent). The net debt is calculated from the aggregated principal amounts of borrowings of HK$8,244 million less the aggregate of cash and cash equivalents of HK$1,202 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, 2020, the assets of the Group in Indonesia, Thailand and Japan represented approximately 34 per cent, 8 per cent and 31 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, 2020 was approximately HK$646 million, as compared to cash used in operating activities of approximately HK$82 million in 2019. The increase in cash generated from operating activities was mainly due to the proceeds from the sale of properties received during the year.

Income tax

The Group's income tax for the year ended December 31, 2020 were approximately HK$50 million, as compared to approximately HK$65 million in 2019. The decrease was mainly due to the reduction of withholding tax charged on the intercompany loan interest.

Security on assets

As at December 31, 2020, certain assets of the Group with an aggregated carrying value of approximately HK$8,336 million were mortgaged and pledged to the bank as security for the loan facility (December 31, 2019: HK$10,323 million).

Contingent liabilities

During the year ended December 31, 2018, the Company's indirect wholly-owned subsidiary (the "Taxpayer") in Indonesia received a tax assessment notice ("2018 Assessment") from the ITO in relation to the creditability of VAT arising from the acquisition of a plot of land in Jakarta, Indonesia in October 2013 ("Land VAT") which amounted to IDR183,834.4 million (approximately HK$100.6 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 by the ITO during 2017, the ITO issued an assessment notice stating that the Land VAT is non-creditable resulting in a tax underpayment of IDR183,834.4 million (approximately HK$100.6 million) and a penalty of IDR183,834.4 million (approximately HK$100.6 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$201 million). The Group has filed an objection against the tax assessment in August 2018 and the ITO issued a decision letter to reject the Group's objection in July 2019. After consideration of professional advice, the Group remains of the view that the ITO has no basis to issue the 2018 Assessment and the Group lodged an appeal to the tax court in September 2019. The Group had attended the tax court hearings during the year ended December 31, 2020 and the process is still ongoing. 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, 2020. No provision of impairment has been recognised for the VAT balance as at December 31, 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2020, the Group employed a total number of 986 staff in Hong Kong and overseas (inclusive of property management staff borne by owners' account and seasonal staff employed overseas) (2019: 1,123 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 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, 2020 (2019: 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, 2020 (2019: 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 April 29, 2021 to May 5, 2021, 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 not later than 4:30 p.m. on April 28, 2021; 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 not later than 4:30 p.m. on March 12, 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2020, 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, 2020 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 The Stock Exchange of Hong Kong Limited during the year ended December 31, 2020.

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 2020 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

OUTLOOK

2020 turned out to be an extremely challenging year for many around the world, filled with uncertainties, lockdowns, travel restrictions; and various changes caused by the COVID-19 pandemic. Entering 2021, whilst the pandemic continues to surge in different parts of the world, we have also witnessed the rolling out of vaccination programs in various countries. Governments around the world strive to stay vigilant against the evolving situation and to seek a balance between suppressing the spread of COVID-19 and providing appropriate support for struggling business environment and paving the way for economic recovery.

The Group's businesses in Asia have been experienced a slow down since last year. We have adjusted our resources and plans to limit the impact of the pandemic on our performance. Despite the waves of challenges, PCPD's core businesses in Asian premium property investment, development and management remain our dedicated focus for 2021. We have already started our discussion with local teams for the new development projects in Japan and Hong Kong. As for the project in Thailand, depending on the COVID-19 situation, the golf course and golf club are expected to commence operations in mid-2021. Further sales and marketing activities are planned in 2021.

As a forward-looking property developer with a prudent approach, we continue to plan our projects ahead to capture opportunities in the future.

By Order of the Board
Pacific Century Premium Developments Limited
Timothy Tsang
General Counsel and Company Secretary

Hong Kong, February 3, 2021

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

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

Non-Executive Directors:
Lee Chi Hong, Robert (Non-Executive Chairman); and 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*