# 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, 2015

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, 2015.


**SUMMARY**

- Consolidated revenue from continuing operations decreased by 1 per cent to approximately HK$165 million
- Consolidated operating loss from continuing operations decreased by 20 per cent to approximately HK$280 million
- Loss attributable to equity holders of the Company amounted to approximately HK$81 million
- Basic loss per share: 5.12 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

The Group's investment in Indonesia is located at Sudirman CBD which is within the Golden Triangle of Jakarta, Indonesia. The site is being developed into a 40-storey Premium Grade A landmark office building; the construction works of the development are underway and it is scheduled to be completed and to become operational in 2017.

### Property development in Japan

As released on November 9, 2015, the detailed designs of the Hanazono all-season resort project in Niseko, Hokkaido, Japan, are being worked on as scheduled to bring the Park Hyatt branded residences to one of the top Asia's ski resort destinations.

### Property development in Thailand

The preparation of the project in Phang-nga, southern Thailand is continuing. The renewal of the provincial environmental regulations applicable to this project has been pending; when the applicable environmental regulations are announced by the provincial government, the Group will need to study the implications of the provincial environmental regulations on the overall development. For reason of the above, the timeframe for the project has been and will be extended. Due to the extended timeframe, the Group will need to renegotiate the hotel-related contracts with the hotel operator, terminating the existing versions of the contracts, so as to reflect the updated status of the project.

### Property development in Hong Kong

As reported in 2013 Annual Report, the sale of first-hand Villa Bel-Air houses completed in 2013. For the year ended December 31, 2015, the nineteenth batch of the net surplus proceeds from the Cyberport project, approximately HK$300 million in total, was allocated between the Government of the Hong Kong Special Administrative Region ("HKSAR Government") and the Group in accordance with the Cyberport Project Agreement. As a result, the HKSAR Government received approximately HK$194 million while the Group retained approximately HK$106 million.

# Recreation and leisure

### All-season recreational activities 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 ski lift, ski equipment rental, ski school and snowmobile tours in winter and rafting tours and golfing in summer.

The Group entered into a hotel management agreement and other related agreements with Hyatt Hotels Corporation's affiliates for development of a Park Hyatt hotel in Niseko, Hokkaido where the all-season recreational operation is located. The hotel is expected to open in 2019 with a selection of specialty restaurants, extensive meeting space, a golf clubhouse, a ski shop and valet, a destination spa, a fitness centre and a swimming pool.

The Group's revenue from its all-season recreational activities amounted to approximately HK$78 million for the year ended December 31, 2015, as compared to approximately HK$77 million in 2014.

## Property management related services

### Property management and facilities management in Hong Kong

The Group provides professional property management and facilities management services to its clients in Hong Kong and generated revenue of approximately HK$51 million for the year ended December 31, 2015, as compared to approximately HK$55 million in 2014.

## Other businesses

Other businesses of the Group mainly include property management in Japan, property investment in Hong Kong and asset management in Mainland China. The revenue from these other businesses amounted to approximately HK$36 million for the year ended December 31, 2015, as compared to approximately HK$34 million in 2014.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| HK$ million | Note | For the year ended December 31, **2015** | 2014 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 2 | **165** | 166 |
| Cost of sales | | **(54)** | (58) |
| Gross profit | | **111** | 108 |
| General and administrative expenses | | **(389)** | (376) |
| Other income | | **1** | 1 |
| Other losses, net | | **(3)** | (82) |
| **Operating loss** | | **(280)** | (349) |
| Interest income | | **12** | 12 |
| Finance costs | 3 | **—** | (83) |
| **Loss before taxation** | 4 | **(268)** | (420) |
| Income tax | 5 | **(5)** | (21) |
| **Loss attributable to equity holders of the Company from continuing operations** | | **(273)** | (441) |
| **Discontinued operation** | | | |
| Profit attributable to equity holders of the Company from discontinued operation | 11 | **192** | 1,932 |
| **(Loss)/profit attributable to equity holders of the Company** | | **(81)** | 1,491 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - CONTINUED

| HK$ million | Note | For the year ended December 31, **2015** | 2014 |
|---|---|---|---|
| **Other comprehensive loss:** | | | |
| *Item that may be reclassified subsequently to profit or loss* | | | |
| Currency translation differences: | | | |
| Exchange differences on translating foreign operations | | **(226)** | (195) |
| Reclassification adjustments arising from disposal of subsidiaries | | **—** | (1,245) |
| **Total comprehensive (loss)/income** | | **(307)** | 51 |
| **Total comprehensive (loss)/income arises from:** | | | |
| Continuing operations | | **(499)** | (559) |
| Discontinued operation | | **192** | 610 |
| | | **(307)** | 51 |
| **(Loss)/earnings per share from continuing operations and discontinued operation** (expressed in Hong Kong cents per share) | | | |
| Basic (loss)/earnings per share | 7 | | |
| Continuing operations | | **(17.21) cents** | (27.86) cents |
| Discontinued operation | | **12.09 cents** | 121.99 cents |
| | | **(5.12) cents** | 94.13 cents |
| Diluted (loss)/earnings per share | 7 | | |
| Continuing operations | | **(17.21) cents** | (27.86) cents |
| Discontinued operation | | **12.09 cents** | 121.99 cents |
| | | **(5.12) cents** | 94.13 cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| HK$ million | Note | **As at December 31, 2015** | As at December 31, 2014 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Investment properties | | **2,136** | 1,926 |
| Property, plant and equipment | | **160** | 126 |
| Properties under development | | **349** | 352 |
| Properties held for development | | **525** | 566 |
| Goodwill | | **3** | 3 |
| Other financial assets | | **2** | 2 |
| Prepayments and other receivables | | **200** | 154 |
| | | **3,375** | 3,129 |
| **Current assets** | | | |
| Sales proceeds held in stakeholders' accounts | | **513** | 528 |
| Restricted cash | | **96** | 1,022 |
| Trade receivables, net | 8 | **7** | 8 |
| Prepayments, deposits and other current assets | | **390** | 336 |
| Amounts due from fellow subsidiaries | | **1** | 1 |
| Amount due from a related company | | **3** | 3 |
| Derivative financial instrument | 9 | **60** | — |
| Other financial assets | | **4** | 4 |
| Short-term deposits | | **1** | — |
| Cash and cash equivalents | | **1,815** | 2,466 |
| | | **2,890** | 4,368 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

| HK$ million | Note | **As at December 31, 2015** | As at December 31, 2014 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade payables | 10 | **14** | 17 |
| Accruals, other payables and deferred income | | **437** | 556 |
| Amounts due to fellow subsidiaries | | **1** | 2 |
| Amount payable to the HKSAR Government under the Cyberport Project Agreement | | **322** | 522 |
| Current income tax liabilities | | **3** | 651 |
| | | **777** | 1,748 |
| **Net current assets** | | **2,113** | 2,620 |
| **Total assets less current liabilities** | | **5,488** | 5,749 |
| **Non-current liabilities** | | | |
| Other payables | | **189** | 161 |
| Deferred income | | **25** | — |
| Deferred income tax liabilities | | **19** | 26 |
| | | **233** | 187 |
| **Net assets** | | **5,255** | 5,562 |
| **CAPITAL AND RESERVES** | | | |
| Issued equity | | **2,848** | 2,848 |
| Reserves | | **2,407** | 2,714 |
| | | **5,255** | 5,562 |

**Notes:**

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

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

The consolidated financial statements for the year ended December 31, 2015 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; and
- derivative financial instruments.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 12.

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

*Standards and amendments effective for the annual period beginning on January 1, 2015 adopted by the Group but have no significant impact on the Group's consolidated financial statements*

| | |
|---|---|
| HKAS 19 (2011) (Amendment) | Employee Benefits: Defined Benefit Plans - Employee Contribution |
| Annual Improvements to HKFRS 2010-2012 Cycle | |
| Annual Improvements to HKFRS 2011-2013 Cycle | |

*The following new standards and amendments have been issued but are not yet effective for the year ended December 31, 2015 and which the Group has not early adopted:*

| | |
|---|---|
| HKAS 1 (Amendment) | Disclosure Initiative [1] |
| HKAS 16 (Amendment) | Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation [1] |
| HKAS 27 (Amendment) | Separate Financial Statements – Equity Method in Separate Financial Statements [1] |
| HKAS 38 (Amendment) | Intangible Assets – Clarification of Acceptable Methods of Amortisation [1] |
| HKFRS 9 | Financial Instruments [2] |
| HKFRS 10 and HKAS 28 (Amendments) | Consolidated Financial Statements – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture [1] |
| HKFRS 10, HKFRS 12 and HKAS 28 (Amendments) | Investment Entities: Applying the Consolidation Exception [1] |
| HKFRS 11 (Amendment) | Joint Arrangements – Accounting for acquisitions of interest in joint operation [1] |
| HKFRS 15 | Revenue from Contracts with Customers [2] |
| Annual Improvements to HKFRS 2012-2014 Cycle [1] | |

Note:

1 Effective for annual periods beginning on or after January 1, 2016

2 Effective for annual periods beginning on or after January 1, 2018

Apart from the above, a number of annual improvements and minor amendments to HKFRS have also been issued by the HKICPA but they are not yet effective for the accounting period ended December 31, 2015 and have not been adopted in these consolidated financial statements.

The Group has been evaluating the impact of these new or revised standards and amendments but is not yet in a position to state whether all these new or revised standards and amendments would have a significant impact on the Group's results of operations and financial position.

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in these consolidated financial statements.

## 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 | | | | | | Results | | Other information | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| HK$ million | Revenue from external customers | | Inter-segment revenue | | Reportable segment revenue | | Segment results before taxation | | Provision for impairment of properties held for development | | Additions to non-current segment assets | |
| For the year ended December 31, | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| All-season recreational activities in Japan | **78** | 77 | **—** | — | **78** | 77 | **2** | (1) | **—** | — | **37** | 10 |
| Property investment in Indonesia | **—** | — | **—** | — | **—** | — | **(19)** | (22) | **—** | — | **344** | 212 |
| Property development in Thailand | **—** | — | **—** | — | **—** | — | **(16)** | (97) | **—** | (84) | **8** | 6 |
| Property development in Japan (note a) | **—** | — | **—** | — | **—** | — | **(8)** | (12) | **—** | — | **4** | 2 |
| Property and facilities Management in Hong Kong (note a) | **51** | 55 | **—** | — | **51** | 55 | **5** | (3) | **—** | — | **—** | — |
| Property development in Hong Kong | **—** | — | **—** | — | **—** | — | **4** | (14) | **—** | — | **—** | — |
| Other businesses (note b) | **36** | 34 | **2** | 2 | **38** | 36 | **4** | 2 | **—** | — | **1** | 3 |
| Elimination | **—** | — | **(2)** | (2) | **(2)** | (2) | **—** | — | **—** | — | **—** | — |
| Total of reported segments | **165** | 166 | **—** | — | **165** | 166 | **(28)** | (147) | **—** | (84) | **394** | 233 |
| Unallocated | **—** | — | **—** | — | **—** | — | **(240)** | (273) | **—** | — | **4** | 5 |
| Consolidated from continuing operations | **165** | 166 | **—** | — | **165** | 166 | **(268)** | (420) | **—** | (84) | **398** | 238 |
| Discontinued operation (note c) | **—** | 149 | **—** | — | **—** | 149 | **—** | 2,777 | **—** | — | **—** | 16 |
| Consolidated | **165** | 315 | **—** | — | **165** | 315 | **(268)** | 2,357 | **—** | (84) | **398** | 254 |

## 2. Revenue and Segment Information - Continued

| HK$ million | Assets | | Liabilities | |
|---|---|---|---|---|
| As at December 31, | **2015** | 2014 | **2015** | 2014 |
| All-season recreational activities in Japan | **119** | 90 | **18** | 22 |
| Property investment in Indonesia | **2,713** | 2,329 | **422** | 491 |
| Property development in Thailand | **530** | 573 | **9** | 8 |
| Property development in Japan (note a) | **409** | 411 | **9** | 10 |
| Property and facilities management in Hong Kong (note a) | **19** | 20 | **10** | 11 |
| Property development in Hong Kong | **609** | 1,558 | **433** | 649 |
| Other businesses (note b) | **111** | 110 | **41** | 34 |
| Total of reported segments | **4,510** | 5,091 | **942** | 1,225 |
| Unallocated | **1,755** | 2,406 | **68** | 710 |
| Consolidated | **6,265** | 7,497 | **1,010** | 1,935 |

(a) The segments for property development in Japan and property and facilities management in Hong Kong have met the quantitative thresholds under HKFRS 8 for reportable segments during the year ended December 31, 2015, therefore they are separately disclosed and their respective comparative figures have been represented. These segments were included in other businesses for the year ended December 31, 2014.

(b) Revenue from segments below the quantitative thresholds under HKFRS 8 are attributable to three operating segments of the Group. These segments include property management in Japan, property investment in Hong Kong and asset management in Mainland China. None of these segments have ever met any of the quantitative thresholds for determining reportable segments.

(c) Discontinued operation mainly represents the property investment in Mainland China (note 11).

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

**b. Geographical information**

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, properties under development, properties held for development, goodwill and prepayment 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 and properties under development/held for development, and the location of the operation to which they are allocated, in case of goodwill and prepayment and other receivables.

| | **Revenue from external customers For the year ended December 31,** | | **Specified non-current assets As at December 31,** | |
|---|---|---|---|---|
| HK$ million | **2015** | 2014 | **2015** | 2014 |
| **Continuing operations:** | | | | |
| Japan | **98** | 95 | **492** | 456 |
| Hong Kong (place of domicile) | **53** | 57 | **61** | 60 |
| Mainland China | **14** | 14 | **10** | 16 |
| Thailand | **—** | — | **525** | 567 |
| Indonesia | **—** | — | **2,285** | 2,028 |
| | **165** | 166 | **3,373** | 3,127 |
| **Discontinued operation:** | | | | |
| Mainland China | **—** | 149 | **—** | — |
| | **165** | 315 | **3,373** | 3,127 |

3. **Finance Costs from Continuing Operations**

| | **For the year ended December 31,** | |
|---|---|---|
| HK$ million | **2015** | 2014 |
| Interest expenses: | | |
| - Convertible notes | **—** | 68 |
| - Bank borrowings | **—** | 62 |
| - Other finance costs | **1** | 23 |
| | **1** | 153 |
| Less: Interest capitalised into investment properties | **(1)** | (70) |
| | **—** | 83 |

The borrowing costs have been capitalised at the weighted average rate of the Group's borrowings at 2.56 per cent per annum in 2015 (2014: 4.64 per cent).

## 4. Loss Before Taxation from Continuing Operations

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

| HK$ million | For the year ended December 31, **2015** | 2014 |
|---|---|---|
| Crediting: | | |
| Gross rental income from investment property | **2** | 2 |
| Other rental income | **14** | 14 |
| Less: outgoings | **(6)** | (6) |
| Charging: | | |
| Depreciation | **16** | 16 |
| Staff costs, included in: | | |
| - cost of sales | **18** | 15 |
| - general and administrative expenses | **128** | 130 |
| Contributions to defined contribution retirement schemes, included in: | | |
| - cost of sales | **1** | — |
| - general and administrative expenses | **6** | 6 |
| Share-based compensation expenses | **4** | 5 |
| Auditor's remuneration | | |
| - audit services | **4** | 4 |
| - non-audit services | **1** | 4 |
| Operating lease rental of land and buildings included in general and administrative expenses | **33** | 43 |
| Operating lease rental of equipment | **3** | 2 |
| Net foreign exchange loss/(gain) | **3** | (1) |

## 5. Income Tax from Continuing Operations

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2014: 16.5 per cent) on the estimated assessable profits for the year.

Taxation for Mainland China and overseas subsidiaries have 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, **2015** | 2014 |
|---|---|---|
| Income tax outside Hong Kong | | |
| - Provision for current year | **12** | 13 |
| Deferred income tax | | |
| - Other origination and reversal of temporary differences | **(7)** | 8 |
| | **5** | 21 |

## 6. Dividend

| HK$ million | For the year ended December 31, **2015** | 2014 |
|---|---|---|
| Final dividend | **—** | — |

There was no final dividend paid for 2015 and 2014.

## 7. (Loss)/Earnings Per Share

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

| | For the year ended December 31, | |
|---|---|---|
| | **2015** | 2014 |
| **(Loss)/Earnings** (HK$ million) | | |
| Loss from continuing operations | **(273)** | (441) |
| Earnings from discontinued operation | **192** | 1,932 |
| (Loss)/Earnings for the purpose of calculating the basic and diluted (loss)/earnings per share | **(81)** | 1,491 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of calculating the basic and diluted (loss)/earnings per share | **1,587,775,022** | 1,583,857,214 |

Pursuant to the terms of the applicable deed poll, the bonus convertible notes confer upon the holders the same economic interests attached to the bonus shares. The aggregated amount of HK$592,553,354.40 (2014: HK$592,553,354.40) for the outstanding bonus convertible notes which could be converted into 1,185,106,708 (2014: 1,185,106,708) fully paid ordinary shares of HK$0.50 each is included in the weighted average number of ordinary shares for calculating the basic earnings/(loss) per share for the years ended December 31, 2015 and December 31, 2014.

Employee share options of 5,000,000 were exercised during the year ended December 31, 2014. The potential ordinary shares arising from the assumed conversion of the employee share options are anti-dilutive at the loss from continuing operations level for the year ended December 31, 2014 and so, have been treated as anti-dilutive for the purpose of calculating diluted earnings/(loss) per share.

2014 Convertible Note was redeemed in full upon its maturity date in 2014. The 672,222,222 of the potential ordinary shares arising from the assumed conversion of 2014 Convertible Note have not been included in the calculation of diluted earnings/(loss) per share for the year ended December 31, 2014 because they are anti-dilutive.

## 8. 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, 2015** | As at December 31, 2014 |
|---|---|---|
| Current | **5** | 7 |
| One to three months | **2** | — |
| More than three months | **—** | 1 |
| | **7** | 8 |

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.

## 9. Derivative financial instrument

On June 25, 2015, the Group executed an Indonesian rupiah/US dollars currency call spread option for a notional amount of US$200 million with a tenor of one year (the "Option"). The Option will expire on June 27, 2016. An option premium of US$8 million (equivalent to HK$62 million) was paid up-front. The Option was purchased for the purpose of managing the risk of foreign currency exposure arising from the Group's net investment in the foreign operation in Indonesia. It is recognised as a derivative financial instrument at fair value as at June 25, 2015 of HK$62 million and the mark-to-market value at December 31, 2015 was HK$60 million. The difference of HK$2 million is recognised in "other losses, net" in the consolidated statement of comprehensive income for the year ended December 31, 2015.

## 10. Trade Payables

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

| HK$ million | **As at December 31, 2015** | As at December 31, 2014 |
|---|---|---|
| Current | **13** | 16 |
| More than three months | **1** | 1 |
| | **14** | 17 |

## 11. Discontinued Operation and Disposal of Subsidiaries

On April 8, 2014, the Group entered into a sale and purchase agreement ("SPA") pursuant to which the Group has agreed to sell the entire issued share capital of Gain Score Limited, an indirectly wholly-owned subsidiary of the Company, and to assign a shareholder loan which was made by the Group to Gain Score Limited to an independent third party for an initial aggregated consideration of US$928 million (equivalent to approximately HK$7,201 million), subject to adjustments in accordance with the SPA. The principal assets of Gain Score Limited and its subsidiaries (the "Gain Score Group") are the land use rights and property rights in the investment property known as "Pacific Century Place, Beijing" located in Mainland China.

The transaction was completed in August 2014, and the final consideration received was US$939 million (equivalent to approximately HK$7,281 million) after adjustments in accordance with the SPA.

**The profit attributable to equity holders of the Company from discontinued operation is as follows:**

| HK$ million | For the year ended December 31, **2015** | 2014 |
|---|---|---|
| Revenue | — | 149 |
| Cost of sales | — | (23) |
| Gross profit | — | 126 |
| General and administrative expenses | — | (50) |
| Surplus on revaluation of investment property | — | 654 |
| **Operating profit** | — | 730 |
| Interest income | — | 6 |
| **Profit before tax** | — | 736 |
| Income tax | — | (194) |
| **Profit after tax** | — | 542 |
| Gain on disposal of subsidiaries, net of tax (note a) | **192** | 1,390 |
| **Profit attributable to equity holders of the Company from discontinued operation** | **192** | 1,932 |

(a) The amount recognised for the year ended 31 December 2015 includes a reversal of provision for tax and direct expenses in relation to the disposal as management, after review at the end of each reporting period to reflect the current best estimate, considers it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

## 12. 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.

a. The management has made judgements in applying the Group's accounting policies. The judgement that has the most significant effect on the amounts recognised in the consolidated financial statements is discussed below:

(i) Purchase consideration for a plot of land in Indonesia

On May 23, 2013, the Group entered into the Land Sale and Purchase Agreement (the "Land SPA") for the acquisition of a plot of land for the development of a Premium Grade A office building in Jakarta, Indonesia. The total consideration under the Land SPA is US$184 million (equivalent to approximately HK$1,428 million), which is subject to various downward adjustments in certain circumstances.

Management expected that the seller of the land will be able to fulfill the conditions as set out in the Land SPA and the deductions from the outstanding consideration is unlikely, as such the total consideration of US$184 million is recorded as the cost of the land and the outstanding consideration of US$23 million to be paid is recorded as payable as at December 31, 2015.

In case there is any downward adjustment from the consideration to be paid for the land acquisition, it would affect the payable to the seller recorded in the consolidated statement of financial position as at December 31, 2015.

b. 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 current prices in an active market for similar properties. In the absence of such information, the Group determines the amount within a range of reasonable fair values estimates. In making its estimates, the Group considers both (i) information from the valuations of investment properties performed by external professional valuers on a market value basis and (ii) other principal assumptions, including the current and expected market yield, market price, market rent and the outstanding development costs 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 market yields, 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, 2015, the fair value of the investment properties was HK$2,136 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.

## 12. Critical Accounting Estimates and Judgements - Continued

(iii) Taxation

The Group is subject to tax in Mainland China, Hong Kong and other jurisdictions. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the periods in which such determination are made.

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Group's estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits carried forward in the future, adjustments to the recorded amount of net deferred income tax assets and income tax would be made. As at December 31, 2015, no deferred income tax assets were netted off against the deferred income tax liabilities recognised in the consolidated statement of financial position.

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

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

— interest in freehold land;
— property, plant and equipment;
— goodwill;
— properties under development/held for development;
— pre-paid interests in leasehold land classified as being held under an operating lease; and
— investment in a subsidiary.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement 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, representing the greater of the asset's fair value less cost to sell or its value in use. Depending on the Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Group may perform such assessment utilising internal resources or the Group may engage external advisors to counsel the Group in making this assessment. Regardless of the resources utilised, the Group is required to make many assumptions to make this assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

For the year ended December 31, 2015, no provision for impairment (2014: HK$84 million) was recognised on the properties held for development.

## 12. Critical Accounting Estimates and Judgements - Continued

(v) Fair value of derivative financial instrument

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group adopts dealer quoted price to value the derivative financial instrument, taking into account of spot and forward exchange rates and implied volatility and other assumptions.

# FINANCIAL REVIEW

## Review of results

The consolidated revenue of the continuing operations was approximately HK$165 million for the year ended December 31, 2015, representing a decrease of approximately 1 per cent from approximately HK$166 million in 2014.

The consolidated gross profit from continuing operations for the year ended December 31, 2015 was approximately HK$111 million, representing an increase of approximately 3 per cent from approximately HK$108 million in 2014. The increase in consolidated gross profit was mainly due to an one-off credit adjustment relating to the cost of sales of the previous property sales. For the year ended December 31, 2015, the gross profit margin was 67 per cent as compared to 65 per cent in 2014.

The general and administrative expenses were approximately HK$389 million for the year ended December 31, 2015, representing an increase of 3 per cent from approximately HK$376 million in 2014. Such increase was mainly due to the increase in professional and consultancy fees incurred during the year.

The consolidated operating loss from continuing operations for the year ended December 31, 2015 decreased to approximately HK$280 million, as compared to approximately HK$349 million in 2014. Such decrease in operating loss was mainly due to the provision for impairment made for the properties held for development in Thailand in 2014.

As a result of the above and the saving of finance costs after loan repayment and 2014 Convertible Note redemption in 2014, the continuing operations recorded a consolidated net loss after taxation of approximately HK$273 million for the year ended December 31, 2015, as compared to approximately HK$441 million in 2014. Basic loss per share from continuing operations during the year under review was 17.21 Hong Kong cents, as compared to basic loss per share of 27.86 Hong Kong cents in 2014.

The Group's consolidated results for the year ended December 31, 2015, taking into account of the reversal of provision for tax and direct expenses from the discontinued operation of approximately HK$192 million in relation to the disposal of Gain Score Group in 2014, showed a net loss after taxation of approximately HK$81 million, as compared to a net profit after taxation of approximately HK$1,491 million in 2014.

## Current assets and liabilities

As at December 31, 2015, the Group held current assets of approximately HK$2,890 million (December 31, 2014: HK$ 4,368 million), mainly comprising cash and bank balances, sales proceeds held in stakeholders' accounts, restricted cash and prepayments, deposits and other current assets. The decrease in current assets was mainly due to the tax payment in relation to the disposal of Gain Score Group and the investment in the development project. Cash and bank balances (including cash and cash equivalents and short-term deposits) decreased by approximately 26 per cent from approximately HK$2,466 million as at December 31, 2014 to approximately HK$1,816 million as at December 31, 2015. Sales proceeds held in stakeholders' accounts amounted to approximately HK$513 million as at December 31, 2015 (December 31, 2014: HK$528 million). The level of restricted cash decreased to approximately HK$96 million as at December 31, 2015 from approximately HK$1,022 million as at December 31, 2014 after the net surplus proceeds distribution of the Cyberport project and the release of restricted cash back to the Group. As at December 31, 2015, the current ratio was 3.72 (December 31, 2014: 2.50).

As at December 31, 2015, the Group's total current liabilities amounted to approximately HK$777 million, as compared to approximately HK$1,748 million as at December 31, 2014. Such decrease was due to the settlement of the amount payable to the HKSAR Government under the Cyberport Project Agreement and the income tax liabilities.

## Capital structure, liquidity and financial resources

As at December 31, 2015, the Group has no outstanding borrowings (December 31, 2014: Nil). The net debt-to-equity ratio was not applicable (December 31, 2014: not applicable). Net debt is calculated by deducting the aggregate of cash and cash equivalents and short-term deposits from the principal amount of borrowings.

On January 21, 2014, the Group entered into agreements to obtain loan facilities by which the lenders syndicate would make available term loan facilities which in the aggregate shall not exceed US$200 million, for financing the development of a Premium Grade A office building in Jakarta, Indonesia. No drawdown had yet been made by the Group as at December 31, 2015.

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, 2015, the assets of the Group in Indonesia, Thailand and Japan represented approximately 43 per cent, 8 per cent and 9 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. On June 25, 2015, the Group has entered an Indonesian Rupiah/US dollars currency option with notional amount of US$200 million to manage the Indonesian Rupiah currency exposure.

Cash generated from operating activities (continuing operations) for the year ended December 31, 2015 was approximately HK$435 million, as compared to cash used in operating activities of approximately HK$249 million in 2014.

## Income tax

The Group's income tax for continuing operations for the year ended December 31, 2015 were approximately HK$5 million, as compared to approximately HK$21 million in 2014. The decrease was due to the de-recognition of deferred income tax liabilities.

## Security on assets

As at December 31, 2015, certain assets of the Group and equity interests in companies within the Group with an aggregate carrying value of approximately HK$2,268 million (December 31, 2014: HK$2,076 million) and performance guarantee of approximately HK$161 million (December 31, 2014: HK$166 million) were mortgaged and pledged to banks as security for the loan facilities of the Group.

## EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2015, the Group employed a total number of 416 staff in Hong Kong and overseas. The remuneration policies of the Group are in line with prevailing industry practices. Bonuses are paid on a discretionary basis taking into account factors such as performances of individual employees and the Group's performance as a whole. The Group provides comprehensive employee benefits, including medical insurance, a choice of provident fund or mandatory provident fund as well as training programs. The Group is also a participating member of the PCCW employee share incentive award schemes.

The share option scheme that the Company adopted in 2005 was terminated and replaced by a new share option scheme ("2015 Scheme") which was approved at the Company's annual general meeting held on May 6, 2015. The 2015 Scheme became effective on May 7, 2015, following its approval by PCCW's shareholders. The 2015 Scheme is valid and effective for a period of 10 years commencing on May 7, 2015. The purpose of the 2015 Scheme is to provide eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

## 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, 2015 (2014: 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, 2015 (2014: Nil).

## CLOSURE OF REGISTER OF MEMBERS AND CLOSURE OF REGISTER OF NOTEHOLDERS

The Company's register of members will be closed from May 3, 2016 to May 4, 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all transfers, accompanied by the relevant share certificates, should be lodged with the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on April 29, 2016.

The Company's register of noteholders of bonus convertible notes will be closed from May 3, 2016 to May 4, 2016, both days inclusive, during which period no transfer of bonus convertible notes will be effected. In order to be entitled to attend the forthcoming annual general meeting of the Company, all transfers, accompanied by the relevant note certificates, should be lodged with the bonus convertible note registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on April 29, 2016.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2015, 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, 2015 and has held two meetings during the year.

## CORPORATE GOVERNANCE CODE

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, 2015.

## OUTLOOK

The US Federal Reserve raised its benchmark interest rate from 0-0.25% to 0.25-0.5% in mid-December last year, which marked the end of a seven-year period of close-to-zero interest rates.

As the rate increase was mild and other major economies, such as the Eurozone, China and Japan, are still struggling to boost their respective economic growth with relaxed monetary policies, the Group does not expect that the US rate hike would have a significant impact on global property markets in the short run.

The increase in the benchmark interest rate will bring volatility to the currency markets especially those emerging markets such as Thailand and Indonesia. PCPD will be cautious in managing the currency risk brought about by such volatility while maintaining existing operations in these countries.

The Group's 40-storey Premium Grade A office building being constructed in Jakarta, Indonesia has received positive response. Following our leasing agreement signed with Citibank, N.A., Indonesia ("Citi"), we continue to negotiate with other prospective tenants. The Group is confident that more office space will be leased later this year. The building is scheduled to be completed in 2017.

The Group and Hyatt Hotels Corporation's affiliates have entered into a management agreement for a Park Hyatt hotel and residences project in Niseko, Japan. The hotel is expected to open in 2019. The Group is stepping up the final design and development of the project.

The Group's balance sheet remains solid. With its current cash and appropriate leverage, PCPD is capable of maintaining current operations as well as engaging in the Group's potential projects.

By order of the Board
**Pacific Century Premium Developments Limited**
**Tsang Sai Chung**
*Company Secretary*

Hong Kong, February 26, 2016

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

***Executive Directors:***

Li Tzar Kai, Richard (Chairman); Lee Chi Hong, Robert (Deputy Chairman and Chief Executive Officer); and James Chan

***Independent Non-Executive Directors:***

Prof Wong Yue Chim, Richard, SBS, JP; Dr Allan Zeman, GBM, GBS, JP; and Chiang Yun

* *For identification only*