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, 2019

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, 2019.

SUMMARY

- Consolidated revenue increased by 238 per cent to approximately HK$1,015 million
- Consolidated operating loss decreased by 68 per cent to approximately HK$74 million
- Loss attributable to equity holders of the Company amounted to approximately HK$295 million
- Basic loss per share: 18.61 Hong Kong cents
- The Board did not recommend the payment of a final dividend

REVIEW OF OPERATIONS

<u>Property investment and development</u>

Property investment in Indonesia

The Group's investment, Pacific Century Place, Jakarta ("PCP Jakarta"), has shown a promising result in 2019.

During the period under review, the CBD office market remained competitive. To date, approximately 86% of the office floor space at PCP Jakarta, has been reserved or committed. We expect its innovative design and its wide array of amenities and services to continue to attract top-tier tenants around the world.

The Group's gross rental income amounted to approximately HK$217 million for 2019, as compared to approximately HK$138 million in 2018.

Property development in Japan

In Hokkaido, the Park Hyatt Niseko, Hanazono (the "Hotel") welcomed its first group of guests in January 2020 and the Park Hyatt Niseko Hanazono Residences' (the "Branded Residences") handover and inspection with owners has been continuing progressively since December 2019. To date, over 90% units have been sold. The Group will keep the last few remaining units to be sold at a later date with the expectation that these units may achieve record setting prices in Niseko, before we proceed with our next phase development.

The Group's revenue from its property development in Japan amounted to approximately HK$620 million for the year ended December 31, 2019.

Property development in Thailand

In Phang-nga, Thailand, construction of an 18-hole golf course, golf and country club and relevant infrastructure in the first phase is under way. The golf course and golf club are expected to be completed in the fourth quarter of 2020. The Group commenced sales of the first batch of villas in 2019.

Property development in Hong Kong

For the project of 3-6 Glenealy, Hong Kong, the Group has submitted a redevelopment plan to the Town Planning Board and it is subject to government approval.

<u>Recreation and leisure</u>

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. A wide array of facilities and recreational activities, including a ski lift, ski equipment rentals, a ski school and snowmobile tours in winter and rafting tours and golfing in summer, are operated by the Group.

The new restaurant and entertainment centre, "Hanazono EDGE" has also been in operation since November 2019. Construction of the new ski lift is scheduled to commence later in 2020 and expected to complete before the snow season.

The Group's revenue from its all-season recreational activities amounted to approximately HK$111 million for the year ended December 31, 2019, as compared to approximately HK$108 million in 2018.

Property management related services

Property management and facilities management in Hong Kong

The Group provides exceptional property management and facilities management services for its clients in Hong Kong, and this business generated a revenue of approximately HK$30 million for the year ended December 31, 2019, as compared to approximately HK$28 million in 2018.

Other businesses

Other businesses of the Group mainly include property management in Japan and property investment in Hong Kong. The revenue from these other businesses amounted to approximately HK$37 million for the year ended December 31, 2019, as compared to approximately HK$26 million in 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Note	For the year ended December 31, **2019**	2018
Revenue	2	**1,015**	300
Cost of sales		**(469)**	(50)
Gross profit		**546**	250
General and administrative expenses		**(620)**	(489)
Other income		**—**	6
Other gains, net		**—**	1
Surplus on revaluation of investment properties		**—**	4
Operating loss		**(74)**	(228)
Interest income		**20**	40
Finance costs	3	**(176)**	(201)
Loss before taxation	4	**(230)**	(389)
Income tax	5	**(65)**	(48)
Loss attributable to equity holders of the Company		**(295)**	(437)
Other comprehensive income/(loss):			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences:			
Exchange differences on translating foreign operations		**213**	(250)
Total comprehensive loss		**(82)**	(687)
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	7	**(18.61) cents**	(27.55) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	Note	**As at December 31, 2019**	As at December 31, 2018
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	8	**3,762**	3,599
Property, plant and equipment		**3,392**	1,328
Right-of-use assets		**77**	101
Properties under development		**291**	364
Properties held for development	9	**2,653**	2,822
Goodwill		**5**	5
Financial assets at fair value through profit or loss		**1**	—
Restricted cash		**—**	217
Prepayments and other receivables		**305**	407
		10,486	8,843
Current assets			
Properties under development/held for sale		**1,421**	770
Sales proceeds held in stakeholders' accounts		**506**	507
Restricted cash		**594**	98
Trade receivables, net	10	**24**	19
Prepayments, deposits and other current assets		**748**	462
Amounts due from fellow subsidiaries		**1**	1
Amounts due from related companies		**6**	4
Financial assets at fair value through profit or loss		**5**	4
Cash and cash equivalents		**1,378**	864
		4,683	2,729

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

HK$ million	Note	**As at December 31, 2019**	As at December 31, 2018
Current liabilities			
Short-term borrowings		**1,517**	—
Current portion of long-term borrowings		**11**	11
Trade payables	11	**49**	14
Accruals and other payables		**1,068**	335
Deferred income and contract liabilities		**441**	309
Lease liabilities		**44**	41
Amount payable to the HKSAR Government under the Cyberport Project Agreement		**325**	322
Current income tax liabilities		**7**	7
		3,462	1,039
Net current assets		**1,221**	1,690
Total assets less current liabilities		**11,707**	10,533
Non-current liabilities			
Long-term borrowings		**7,372**	6,083
Other payables		**175**	171
Deferred income and contract liabilities		**58**	81
Lease liabilities		**34**	62
Deferred income tax liabilities		**44**	30
		7,683	6,427
Net assets		**4,024**	4,106
CAPITAL AND RESERVES			
Issued equity		**2,846**	2,846
Reserves		**1,045**	1,127
Capital and reserves attributable to equity holders of the Company		**3,891**	3,973
Non-controlling interests		**133**	133
		4,024	4,106

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 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, 2019 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 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 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, 2019 adopted by the Group but have no significant impact on the Group's consolidated financial statement:

HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRS 2015 – 2017 Cycle	

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, amendments and interpretations have been issued but are not yet effective for the year ended December 31, 2019 and which the Group has not early adopted:

HKAS 1 (Amendment) and HKAS 8 (Amendment)	Amendments to Definition of Material [1]
HKFRS 3 (Amendment)	Definition of a Business [1]
HKFRS 10 and HKAS 28 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture [3]
HKFRS 17	Insurance Contracts [2]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting [1]

Note:

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

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

[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

HK$ million	Revenue						Results		Other information	
	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,	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
All-season recreational activities in Japan	**111**	108	**—**	—	**111**	108	**(21)**	4	**232**	119
Property investment in Indonesia	**217**	138	**—**	—	**217**	138	**107**	53	**13**	63
Property development in Thailand	**—**	—	**—**	—	**—**	—	**(18)**	(10)	**96**	54
Property development in Japan	**620**	—	**—**	—	**620**	—	**108**	(41)	**1,523**	1,162
Property and facilities management in Hong Kong	**30**	28	**—**	—	**30**	28	**3**	3	**—**	—
Property development in Hong Kong	**—**	—	**—**	—	**—**	—	**(29)**	(14)	**2**	2,172
Other businesses (note i)	**37**	26	**2**	2	**39**	28	**(2)**	3	**—**	—
Elimination	**—**	—	**(2)**	(2)	**(2)**	(2)	**—**	—	**—**	—
Total of reported segments	**1,015**	300	**—**	—	**1,015**	300	**148**	(2)	**1,866**	3,570
Unallocated	**—**	—	**—**	—	**—**	—	**(378)**	(387)	**6**	8
Consolidated	**1,015**	300	**—**	—	**1,015**	300	**(230)**	(389)	**1,872**	3,578

2. Revenue and Segment Information – Continued

a. Business segments - Continued

HK$ million	Assets		Liabilities	
As at December 31,	**2019**	2018	**2019**	2018
All-season recreational activities in Japan	**553**	279	**69**	30
Property investment in Indonesia	**4,459**	4,241	**374**	413
Property development in Thailand	**894**	695	**47**	19
Property development in Japan	**5,508**	2,523	**2,543**	1,096
Property and facilities management in Hong Kong	**18**	17	**3**	1
Property development in Hong Kong	**2,304**	2,302	**810**	806
Other businesses (note i)	**90**	103	**16**	13
Total of reported segments	**13,826**	10,160	**3,862**	2,378
Unallocated	**1,343**	1,412	**7,283**	5,088
Consolidated	**15,169**	11,572	**11,145**	7,466

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

(ii) For the year ended December 31, 2019, apart from the revenue arising from property development in Japan, rental income from property investment in Indonesia and Hong Kong, certain revenue arising from all-season recreational activities in Japan and other businesses totaling HK$802 million (2018: HK$140 million), revenue of all other segments of HK$213 million (2018: HK$160 million) are recognised over time.

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, restricted cash and prepayments and other receivables ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of investment properties, property, plant and equipment, right-of-use assets, properties under development and properties held for development, and the location of the operation to which they are allocated, in case of goodwill, restricted cash and prepayments and other receivables.

	Revenue from external customers		**Specified non-current assets**	
HK$ million	**2019**	2018	**2019**	2018
Japan	**757**	132	**3,306**	1,894
Hong Kong (place of domicile)	**41**	30	**2,329**	2,348
Thailand	**—**	—	**753**	658
Indonesia	**217**	138	**4,098**	3,943
	1,015	300	**10,486**	8,843

3. Finance Costs

HK$ million	For the year ended December 31, **2019**	2018
Interest expenses:		
- Bank borrowings	**78**	25
- Guaranteed notes	**231**	220
- Lease liabilities	**2**	2
- Other finance costs	**3**	3
	314	250
Less:		
Interest capitalised into properties under development/held for sale	**(82)**	(32)
Interest capitalised into property, plant and equipment	**(25)**	(17)
Exchange gain on guaranteed notes	**(31)**	—
	176	201

Borrowing costs have been capitalised at the weighted average rate of the Group's borrowings at 4.29 per cent per annum in 2019 (2018: 4.61 per cent).

4. Loss Before Taxation

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

HK$ million	For the year ended December 31, **2019**	2018
Crediting:		
Gross rental income from investment properties	**217**	140
Less: outgoings	**(52)**	(44)
Charging:		
Cost of properties sold	**408**	—
Depreciation of property, plant and equipment	**41**	27
Depreciation of right-of-use assets		
- properties	**42**	40
- equipment and others	**1**	1
Loss on disposal of properties, plant and equipment	**2**	—
Staff costs, included in:		
- cost of sales	**28**	24
- general and administrative expenses	**216**	154
Contributions to defined contribution retirement schemes, included in:		
- cost of sales	**1**	1
- general and administrative expenses	**6**	6
Share-based compensation expenses	**6**	10
Auditor's remuneration		
- audit services	**4**	4
- non-audit services	**1**	1
Net foreign exchange loss	**4**	1
Short-term lease expenses	**4**	5

5. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2018: 16.5 per cent) on the estimated assessable profits for the year.

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

	For the year ended December 31,	
HK$ million	**2019**	2018
Hong Kong profits tax		
- Provision for current year	**—**	1
Income tax outside Hong Kong		
- Provision for current year	**51**	42
Deferred income tax		
- Other origination and reversal of temporary differences	**14**	5
	65	48

6. Dividend

	For the year ended December 31,	
HK$ million	**2019**	2018
Final dividend	**—**	—

There was no final dividend paid for 2019 and 2018.

7. 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,	
	2019	2018
Loss (HK$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	**(295)**	(437)
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**	1,587,539,200

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 (2018: HK$592,553,354.40) for the outstanding bonus convertible notes which could be converted into 1,185,106,708 (2018: 1,185,106,708) fully paid ordinary shares of HK$0.50 each is included in the weighted average number of ordinary shares for calculating the basic loss per share for the years ended December 31, 2019 and December 31, 2018.

8. Investment Properties

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

HK$ million	**2019**	2018
At January 1,	**3,599**	3,822
Additions	**10**	44
Surplus on revaluation of development properties	**—**	4
Exchange differences	**153**	(271)
At December 31,	**3,762**	3,599

9. Properties Held For Development

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

The land in Thailand is held by the Group through a long-term operating lease agreement with the legal owners, 39 per cent owned entities, established to hold the land, whose financial statements were consolidated into these consolidated financial statements with the carrying amount of HK$479 million (December 31, 2018: HK$650 million).

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.

The Group completed the acquisition of the property located at Nos 3-6 Glenealy, Central, Hong Kong in March 2018. The consideration comprised (i) an initial cash consideration of HK$2,018 million and an adjustment to initial cash consideration of HK$146 million; and (ii) the allotment and issuance of one non-voting participating share of the Company's wholly-owned subsidiary to the seller which entitles the seller the right to 50 per cent of the dividend distributions of the development project. The fair value of the non-voting participating share was estimated to be HK$133 million (2018: HK$133 million) and was recognised as non-controlling interests in the consolidated statement of financial position as at December 31, 2019. As at December 31, 2019, the carrying amount of HK$2,174 million (2018: HK$2,172 million) was recorded as properties held for development in the consolidated statement of financial position.

10. 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, 2019**	As at December 31, 2018
1 – 30 days	**24**	11
31 – 90 days	**—**	8
	24	19

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.

11. Trade Payables

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

HK$ million	**As at December 31, 2019**	As at December 31, 2018
1 – 30 days	**49**	14

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.

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, 2019, the fair value of the investment properties was HK$3,762 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, 2019, the Group has value added tax ("VAT") payment of Indonesian Rupiah ("IDR") 183,834.4 million (equivalent to HK$102.6 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$205 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. 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.

12. 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, 2019, no deferred income tax assets were netted off against the deferred income tax liabilities recognised in the consolidated statement of financial position.

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

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

— property, plant and equipment;
— right-of-use assets;
— goodwill; 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.

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately HK$1,015 million for the year ended December 31, 2019, representing an increase of approximately 238 per cent from approximately HK$300 million in 2018. The increase was mainly due to sales of properties in Japan.

The consolidated gross profit of the Group for the year ended December 31, 2019 was approximately HK$546 million, representing an increase of approximately 118 per cent from approximately HK$250 million in 2018. For the year ended December 31, 2019, the gross profit margin was 54 per cent as compared to 83 per cent in 2018.

The general and administrative expenses were approximately HK$620 million for the year ended December 31, 2019, representing an increase of 27 per cent from approximately HK$489 million in 2018. Such increase was mainly due to increases in building management costs and professional fees spent for the operation of PCP Jakarta and increased marketing expenses and staff costs incurred for property development projects.

The consolidated operating loss for the year ended December 31, 2019 decreased to approximately HK$74 million, as compared to approximately HK$228 million in 2018. Such decrease was mainly due to the profit generated from the sales of properties in Japan.

The Group recorded lower finance costs of approximately HK$176 million for the year ended December 31, 2019, as compared to approximately HK$201 million for 2018, as the Group had more qualifying assets for borrowing costs to be capitalised during the year. The consolidated net loss after taxation of approximately HK$295 million for the year ended December 31, 2019 was reported, as compared to approximately HK$437 million in 2018. Basic loss per share during the year under review was 18.61 Hong Kong cents, as compared to basic loss per share of 27.55 Hong Kong cents in 2018.

Current assets and liabilities

As at December 31, 2019, the Group held current assets of approximately HK$4,683 million (December 31, 2018: HK$2,729 million), mainly comprising properties under development/held for sale, cash and bank balances, sales proceeds held in stakeholders' accounts, restricted cash and prepayments, deposits and other current assets. The increase in current assets was mainly attributable to the following: (1) re-classification of certain properties held for/under development and restricted cash from non-current assets to become current assets as at December 31, 2019; and (2) increase in construction costs recognised in properties under development/held for sale. Sales proceeds held in stakeholders' accounts amounted to approximately HK$506 million as at December 31, 2019 (December 31, 2018: HK$507 million). The level of restricted cash increased to approximately HK$594 million as at December 31, 2019 (December 31, 2018: HK$98 million). As at December 31, 2019, the current ratio was 1.35 (December 31, 2018: 2.63).

As at December 31, 2019, the Group's total current liabilities amounted to approximately HK$3,462 million, as compared to approximately HK$1,039 million as at December 31, 2018. The increase was mainly due to the aggregated effect of the following: (1) construction cost payment accrual for property development project in Hokkaido, Japan; (2) the re-classification of bank borrowings of approximately HK$1,221 million from non-current liabilities to current liabilities according to the maturity dates of the respective bank borrowings and (3) the receipt of deposits from the sale of properties.

Capital structure, liquidity and financial resources

On March 9, 2017, PCPD Capital Limited ("PCPD Capital"), an indirect wholly-owned subsidiary of the Company, issued US$570 million 4.75 per cent guaranteed notes ("Notes") due 2022, which are listed on the Singapore Exchange Securities Trading Limited. On October 3, 2019, further guaranteed notes (the "Further Notes") of US$130 million was issued by PCPD capital. The Notes and the Further 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") by December 2018. 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, 2019, 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$808 million ("HK$ Loan 2020"). The maturity date of the HK$ Loan 2020 is in March 2020. Such facility is secured by the land and buildings, bank accounts, shares and other assets of certain indirect non-wholly owned subsidiaries of the Company. The Company and the indirect non-wholly owned subsidiary are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2019, none of the covenants were breached.

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

As at December 31, 2019, the net debt-to-equity ratio was 188.2 per cent (as at December 31, 2018: 128.8 per cent). The net debt is calculated from the aggregated principal amounts of borrowings of HK$8,950 million less the aggregate of cash and cash equivalents of HK$1,378 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, 2019, the assets of the Group in Indonesia, Thailand and Japan represented approximately 29 per cent, 6 per cent and 40 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, 2019 was approximately HK$82 million, as compared to cash used in operating activities of approximately HK$3,006 million in 2018. The increase in cash generated from operating activities was mainly due to the Group received proceeds from sale of properties during the year.

Income tax

The Group's income tax for the year ended December 31, 2019 were approximately HK$65 million, as compared to approximately HK$48 million in 2018. The increase was mainly due to the aggregated tax charge on (1) the revenue earned from PCP Jakarta, our premium Grade A office investment and (2) profit generated from sales of properties in Japan.

Security on assets

As at December 31, 2019, certain assets of the Group with an aggregated carrying value of approximately HK$10,323 million were mortgaged and pledged to the bank as security for the loan facility (December 31, 2018: HK$4,089 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$102.6 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 the year, 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$102.6 million) and a penalty of IDR183,834.4 million (approximately HK$102.6 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$205 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 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, 2019. No provision of impairment has been recognised for the VAT balance as at December 31, 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2019, the Group employed a total number of 1,123 staff in Hong Kong and overseas (inclusive of property management staff borne by owners' account and seasonal staff employed 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 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, 2019 (2018: 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, 2019 (2018: 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 27, 2020 to May 5, 2020, 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 24, 2020; 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 April 24, 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2019, 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, 2019 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, 2019.

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 2019 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

OUTLOOK

The pace of the global economy remained slow throughout 2019. Trade disputes between the US and China and policy uncertainty continued to pressure the business confidence and investment decisions. The US Federal Reserve lowered its benchmark interest rates three times last year to support the economy.

In Hong Kong, due to the uncertain economic environment and political unrests, business sectors, especially the retail and tourism industries, had a difficult time in 2019. In response, the government announced stimulus packages to support the slowing economy since last quarter.

The IMF has revised the global economic growth forecast, which is projected to pick up to 3.3% in 2020, showing improvements in various countries. However, the recent outbreak of the coronavirus adds uncertainty to global economic of 2020.

In Japan, the increase of sales tax and the trade tensions brought about a drop in private consumption. In 2020, benefitting from the forthcoming Olympic Games and strong tourism, the market expects to recover some ground. Meanwhile, the Group's project in Hokkaido, the Park Hyatt Niseko, Hanazono started to operate in early 2020 and the handover of the Branded Residences is also in good progress.

Indonesia and Thailand performed fairly stable and their prospects look brighter as compared to other Asian markets. Our commercial property at CBD of Jakarta showed a promising result in 2019 among its competitors. As for our project in Phang-nga, Thailand, construction work and sales continue to be on track.

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

Hong Kong, February 11, 2020

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*