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, 2017

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, 2017.

SUMMARY

- Consolidated revenue decreased by 6 per cent to approximately HK$164 million
- Consolidated operating loss decreased by 19 per cent to approximately HK$288 million
- Loss attributable to equity holders of the Company amounted to approximately HK$340 million
- Basic loss per share: 21.44 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 construction work for Pacific Century Place, Jakarta, Indonesia, has been substantially completed and taken over by the building management in October 2017. Defect rectification work and post completion work to suit tenants' requests continues progressively.

Strategically located at Sudirman CBD of Jakarta, the 40-storey premium Grade A landmark office building has been awarded several green ratings and pre-certifications in the past few years. The award-winning building is unique for its environmentally friendly features and sustainability concept. The building is expected to welcome the majority of tenants such as Citibank Indonesia, Garena and Sotheby's Hong Kong Limited, to move in from beginning of 2018.

To date, approximately 69% of the office floor space has been reserved or committed. Some multinational corporations have also expressed interests in moving their regional headquarters or Indonesia representative offices to the building.

The Group's gross rental income amounted to approximately HK$3 million for 2017.

Property development in Japan

The Park Hyatt hotel and Branded Residences at Hanazono in Niseko, Hokkaido, Japan, will be completed in late 2019. The project will comprise 114 luxury units of the first Park Hyatt Residences in Japan. A selection of specialty restaurants, extensive meeting space, a golf clubhouse, a ski shop and valet, a destination spa, a fitness centre and a swimming pool will be available.

In 2017, the Group has arranged several successful pre-sales events in Hong Kong, Japan and Singapore with 52 units have been sold or reserved. We anticipate launching the remaining units in Asia in the next two years.

Property development in Thailand

The preparation of the project in Phang-nga, southern Thailand is continuing as planned. The Group is in discussion with a local developer of the first phase of the project.

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. Various facilities and recreational activities, including ski lift, ski equipment rental, ski school and snowmobile tours in winter and rafting tours and golfing in summer, are operated by the Group.

The Group's revenue from its all-season recreational activities amounted to approximately HK$96 million for the year ended December 31, 2017, as compared to approximately HK$92 million in 2016.

Property management related services

Property management and facilities management in Hong Kong

The Group provides exceptional property management and facilities management services to its clients in Hong Kong and generated revenue of approximately HK$28 million for the year ended December 31, 2017, as compared to approximately HK$47 million in 2016.

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$37 million for the year ended December 31, 2017, as compared to approximately HK$35 million in 2016.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Note	**For the year ended December 31, 2017**	2016
Revenue	2	**164**	174
Cost of sales		**(37)**	(56)
Gross profit		**127**	118
General and administrative expenses		**(435)**	(418)
Other income		**8**	—
Other gains/(losses), net		**12**	(57)
Operating loss		**(288)**	(357)
Interest income		**59**	11
Finance costs	3	**(85)**	—
Loss before taxation	4	**(314)**	(346)
Income tax	5	**(26)**	(18)
Loss attributable to equity holders of the Company		**(340)**	(364)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences:			
Exchange differences on translating foreign operations		**55**	56
Total comprehensive loss		**(285)**	(308)
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	7	**(21.44) cents**	(22.96) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	Note	**As at December 31, 2017**	As at December 31, 2016
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	8	**3,822**	3,266
Property, plant and equipment		**534**	174
Properties under development		**612**	402
Properties held for development		**598**	544
Goodwill		**3**	3
Other financial assets		**—**	3
Prepayments and other receivables		**311**	273
		5,880	4,665
Current assets			
Sales proceeds held in stakeholders' accounts		**508**	510
Restricted cash		**98**	103
Trade receivables, net	9	**14**	10
Prepayments, deposits and other current assets		**110**	158
Amounts due from fellow subsidiaries		**—**	1
Amounts due from related companies		**6**	6
Other financial assets		**81**	4
Short-term deposits		**1,019**	3
Cash and cash equivalents		**2,633**	868
		4,469	1,663

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

HK$ million	Note	**As at December 31, 2017**	As at December 31, 2016
Current liabilities			
Short-term borrowings		**—**	457
Trade payables	10	**23**	23
Accruals, other payables and deferred income		**491**	297
Deposits received from pre-sale of properties		**69**	—
Amount payable to the HKSAR Government under the Cyberport Project Agreement		**321**	321
Current income tax liabilities		**6**	4
		910	1,102
Net current assets		**3,559**	561
Total assets less current liabilities		**9,439**	5,226
Non-current liabilities			
Long-term borrowings		**4,473**	—
Other payables		**206**	208
Deferred income		**74**	50
Deferred income tax liabilities		**25**	22
		4,778	280
Net assets		**4,661**	4,946
CAPITAL AND RESERVES			
Issued equity		**2,847**	2,847
Reserves		**1,814**	2,099
		4,661	4,946

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, 2017 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 11.

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, 2017 adopted by the Group but have no significant impact on the Group's consolidated financial statements

HKAS 7 (Amendment)	Disclosure Initiative – Statement of Cash Flows
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities

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

The following new standards, amendments and interpretations have been issued but are not yet effective for the year ended December 31, 2017 and which the Group has not early adopted:

HKAS 28 (Amendment)	Investment in Associates and Joint Ventures [2]
HKAS 40 (Amendment)	Transfers of Investment Property [1]
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions [1]
HKFRS 4 (Amendment)	Insurance Contracts [1]
HKFRS 9	Financial Instruments [1]
HKFRS 9	Prepayment Features with Negative Compensation [2]
HKFRS 10 and HKAS 28 (Amendment)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture [4]
HKFRS 15	Revenue from Contracts with Customers [1]
HKFRS 15 (Amendment)	Clarifications to HKFRS 15 Revenue from Contracts with Customers [1]
HKFRS 16	Leases [2]
HKFRS 17	Insurance Contracts [3]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration [1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments [2]
Annual Improvements to HKFRS 2014-2016 Cycle [1]	

Note:

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

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

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

4 Effective date to be determined

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, 2017 and have not been adopted in these consolidated financial statements.

The Group considers that the new or revised standards, amendments and interpretations effective for the annual period beginning on January 1, 2018 would not have significant impact on the Group's results of operations and financial position, except the following:

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 replaces HKAS 18 "Revenue" and the related interpretations. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach. The core principle is that a company should recognise revenue when control of a good or service transfers to a customer. Also, revenue should be recognised in respect of each performance obligation. Impact on the revenue recognition may arise when multiple performance obligations are identified.

The Group is currently assessing the effects of applying the new standard on the consolidated financial statements and has identified the following areas that are likely to be affected. Under HKFRS 15, revenue from sale of properties is recognised when or as a performance obligation by transferring the properties to the customers is satisfied. A property is transferred when or as the customer obtains control of that property. Depending on the terms of the contracts and the laws that apply to the contracts, control of the properties may transfer over time or at a point in time. The Group anticipates that the timing of the recognition of revenue in respect of sale of properties may be changed.

At this stage, the Group estimate the impact of the new standard on the consolidated financial statements is immaterial.

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

For the other new or revised standards, amendments and interpretations effective for annual periods after the year of 2018, the Group has commenced assessment on HKFRS 16 “Lease” and estimated that the adoption of HKFRS 16 “Lease” would result in the recognition of lease assets and lease liabilities. The Group will continue to assess the impact in more details. We are still under assessment for the rest of the new or revised standards and is not yet in a position to state whether it would have a significant impact on the Group’s results of operations and financial position.

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**		**Additions to non-current segment assets**	
For the year ended December 31,	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
All-season recreational activities in Japan	**96**	92	**—**	—	**96**	92	**4**	—	**13**	4
Property investment in Indonesia	**3**	—	**—**	—	**3**	—	**(47)**	(16)	**650**	1,126
Property development in Thailand	**—**	—	**—**	—	**—**	—	**(4)**	(5)	**5**	13
Property development in Japan	**—**	—	**—**	—	**—**	—	**(39)**	(16)	**478**	43
Property and facilities Management in Hong Kong	**28**	47	**—**	—	**28**	47	**2**	8	**—**	—
Property management in Japan	**20**	20	**—**	—	**20**	20	**2**	3	**—**	—
Other businesses (note a)	**17**	15	**2**	2	**19**	17	**3**	2	**—**	—
Elimination	**—**	—	**(2)**	(2)	**(2)**	(2)	**—**	—	**—**	—
Total of reported segments	**164**	174	**—**	—	**164**	174	**(79)**	(24)	**1,146**	1,186
Unallocated	**—**	—	**—**	—	**—**	—	**(235)**	(322)	**1**	9
Consolidated	**164**	174	**—**	—	**164**	174	**(314)**	(346)	**1,147**	1,195

2. Revenue and Segment Information - Continued

HK$ million	Assets		Liabilities	
As at December 31,	**2017**	2016	**2017**	2016
All-season recreational activities in Japan	**140**	132	**23**	14
Property investment in Indonesia	**4,380**	3,686	**489**	802
Property development in Thailand	**605**	558	**10**	9
Property development in Japan	**1,043**	498	**147**	25
Property and facilities management in Hong Kong	**20**	27	**3**	5
Property management in Japan	**26**	24	**5**	14
Other businesses (note a)	**75**	73	**11**	11
Total of reported segments	**6,289**	4,998	**688**	880
Unallocated	**4,060**	1,330	**5,000**	502
Consolidated	**10,349**	6,328	**5,688**	1,382

(a) Revenue from segments below the quantitative thresholds under HKFRS 8 are mainly attributable to two operating segments of the Group. These segments include 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.

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 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 and properties under development/held for development, and the location of the operation to which they are allocated, in case of goodwill and prepayments and other receivables.

	Revenue from external customers For the year ended December 31,		**Specified non-current assets As at December 31,**	
HK$ million	**2017**	2016	**2017**	2016
Japan	**116**	112	**1,048**	558
Hong Kong (place of domicile)	**33**	49	**65**	69
Mainland China	**12**	13	**1**	5
Thailand	**—**	—	**598**	544
Indonesia	**3**	—	**4,168**	3,486
	164	174	**5,880**	4,662

3. Finance Costs

HK$ million	For the year ended December 31, **2017**	2016
Interest expenses:		
- Bank borrowings	**40**	16
- Guaranteed notes	**177**	—
- Other finance costs	**3**	3
	220	19
Less: Interest capitalised into investment properties	**(114)**	(19)
Less: Interest capitalised into properties under development	**(19)**	—
Less: Interest capitalised into property, plant and equipment	**(2)**	—
	85	—

Borrowing costs have been capitalised at the weighted average rate of the Group's borrowings at 5.30 per cent per annum in 2017 (2016: 4.68 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, **2017**	2016
Crediting:		
Gross rental income from investment properties	**5**	2
Other rental income	**12**	13
Less: outgoings	**(5)**	(5)
Charging:		
Depreciation	**22**	19
Staff costs, included in:		
- cost of sales	**20**	17
- general and administrative expenses	**157**	147
Contributions to defined contribution retirement schemes, included in general and administrative expenses	**5**	6
Share-based compensation expenses	**6**	5
Auditor's remuneration		
- audit services	**5**	4
- non-audit services	**2**	1
Operating lease rental of land and buildings, included in general and administrative expenses	**37**	40
Operating lease rental of equipment	**4**	3
Net foreign exchange loss	**6**	3

5. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2016: 16.5 per cent) on the estimated assessable profits for the year.

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

HK$ million	For the year ended December 31, **2017**	2016
Hong Kong profits tax		
- Provision for current year	**—**	1
Income tax outside Hong Kong		
- Provision for current year	**23**	14
Deferred income tax		
- Other origination and reversal of temporary differences	**3**	3
	26	18

6. Dividend

HK$ million	For the year ended December 31, **2017**	2016
Final dividend	**—**	—

There was no final dividend paid for 2017 and 2016.

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,	
	2017	2016
Loss (HK$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	**(340)**	(364)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	**1,587,576,022**	1,587,648,336

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 (2016: HK$592,553,354.40) for the outstanding bonus convertible notes which could be converted into 1,185,106,708 (2016: 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, 2017 and December 31, 2016.

8. Investment Properties

Investment properties as at December 31, 2017 represents a property of approximately HK$3,770 million located in Indonesia (December 31, 2016: HK$3,214 million) which the construction is completed during the year of 2017 and a completed property of approximately HK$52 million located in Hong Kong (December 31, 2016: HK$52 million). The movements of the carrying value of the investment properties during the year are as follows:

HK$ million	**2017**	2016
At January 1,	**3,266**	2,136
Additions	**647**	1,126
Transfer to property, plant and equipment (note a)	**(93)**	—
Exchange differences	**2**	4
At December 31,	**3,822**	3,266

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

9. 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, 2017**	As at December 31, 2016
1 – 30 days	**12**	6
31 – 90 days	**2**	3
Over 90 days	**—**	1
	14	10

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.

10. Trade Payables

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

HK$ million	**As at December 31, 2017**	As at December 31, 2016
1 – 30 days	**23**	23

11. 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 current prices in an active market for similar properties. In the absence of such information, the Group determines the amount within a range of reasonable fair values estimates. In making its estimates, the Group considers both (i) information from the valuations of investment properties performed by external professional valuers on a market value basis and (ii) other principal assumptions, including the current and expected capitalisation rate, market price and market rent in view of the current usage and condition of the investment properties to determine the fair value of the investment properties. Had the Group used different capitalisation 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, 2017, the fair value of the investment properties was HK$3,822 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) Taxation

As at 31 December 2017, the Group has value added tax payment of Indonesian Rupiah 183,834 million (equivalent to HK$106 million) which is classified as other non-current receivables pending to compensate the future output value added tax. As disclosed in 2014 Annual Report Note 15(i), such amount related to acquisition of a land parcel in Jakarta, Indonesia, where the relevant tax authority has completed an assessment in 2014. In assessing the recoverability of the balance, the Group considers among other factors, the results of the assessment from the relevant tax authority, tax regulations, and the tax advisory by professional advisors. In case there is any change in tax regulations or subsequent assessments by the tax authority, adjustments to the balance would be made and any impairment losses would be recognised in the consolidated statement of comprehensive income.

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, 2017, no deferred income tax assets were netted off against the deferred income tax liabilities recognised in the consolidated statement of financial position.

11. Critical Accounting Estimates and Judgements - Continued

(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:

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

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

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately HK$164 million for the year ended December 31, 2017, representing a decrease of approximately 6 per cent from approximately HK$174 million in 2016. The decrease was mainly due to the change of contracting model in relation to the provision of facilities management services that contractors are directly engaged by the customer and no contractor cost was chargeable to the customer by the Group starting 2017.

The consolidated gross profit of the Group for the year ended December 31, 2017 was approximately HK$127 million, representing an increase of approximately 8 per cent from approximately HK$118 million in 2016.

The general and administrative expenses were approximately HK$435 million for the year ended December 31, 2017, representing an increase of 4 per cent from approximately HK$418 million in 2016. Such increase was mainly due to increase in staff costs and more marketing expenses and professional fees spent in Park Hyatt Branded Residences at Niseko, Hokkaido, Japan during the year.

The consolidated operating loss for the year ended December 31, 2017 decreased to approximately HK$288 million, as compared to approximately HK$357 million in 2016. Such decrease was mainly due to the one-off fair value loss of the call spread option recognised in 2016.

After taking into account of higher finance costs after US$570 million guaranteed notes issued during the year, the Group recorded a consolidated net loss after taxation of approximately HK$340 million for the year ended December 31, 2017, as compared to approximately HK$364 million in 2016. Basic loss per share during the year under review was 21.44 Hong Kong cents, as compared to basic loss per share of 22.96 Hong Kong cents in 2016.

Current assets and liabilities

As at December 31, 2017, the Group held current assets of approximately HK$4,469 million (December 31, 2016: HK$ 1,663 million), mainly comprising 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 cash and bank balances including cash and cash equivalents and short-term deposits which increased by approximately 319 per cent from approximately HK$871 million as at December 31, 2016 to approximately HK$3,652 million as at December 31, 2017 due to the issue of US$570 million guaranteed notes net off by the repayment of bank borrowings of US$60 million and payment of construction cost of development projects in Indonesia and Japan. Sales proceeds held in stakeholders' accounts amounted to approximately HK$508 million as at December 31, 2017 (December 31, 2016: HK$510 million). The level of restricted cash decreased to approximately HK$98 million as at December 31, 2017 from approximately HK$103 million as at December 31, 2016 as approximately HK$8 million parked in the interest reserve account pledged for the loan drawdown has been released during the year. As at December 31, 2017, the current ratio was 4.91 (December 31, 2016: 1.51).

As at December 31, 2017, the Group's total current liabilities amounted to approximately HK$910 million, as compared to approximately HK$1,102 million as at December 31, 2016. The decrease was mainly due to the repayment of bank borrowings offset by the interest payable for the guaranteed notes, the receipt of deposits from pre-sale of properties and deferred rental income during the year.

Capital structure, liquidity and financial resources

As at December 31, 2017, the Group's borrowings amounted to approximately HK$4,473 million (December 31, 2016: HK$457 million). The carrying amount represented the amortised cost of financial liabilities in respect of the guaranteed notes of US$570 million issued (equivalent to approximately HK$4,454 million) and the principal amount of Japanese Yen ("JPY") 785 million drawdown under the term loan facility of JPY1,500 million (equivalent to approximately HK$104 million).

On January 21, 2014, the Group entered into agreements to obtain loan facilities by which the lenders would make available term loan facilities in the aggregated amount of US$200 million ("USD Facility"). During the year ended December 31, 2017, the loan facility of US$60 million drawdown in 2016 has been fully repaid and such USD Facility has been cancelled.

On March 9, 2017, the Group issued US$570 million 4.75% guaranteed notes ("Notes") due 2022, which are listed on the Singapore Exchange Securities Trading Limited.

On June 9, 2017, the Group entered into a term loan facility agreement with maturity date in December 2028. The aggregate amount of the facility shall not exceed JPY1,500 million (equivalent to approximately HK$104 million), of which JPY715 million (equivalent to approximately HK$50 million) remained undrawn by the Group as at December 31, 2017.

As at December 31, 2017, the net debt-to-equity ratio was 18.4 per cent (December 31, 2016: not applicable). The net debt is calculated from the principal face amount of borrowings of HK$4,508 million less the aggregate of cash and cash equivalents and short-term deposits of HK$3,652 million.

The Group's borrowings were denominated in US dollars and Japanese Yen while 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, 2017, the assets of the Group in Indonesia, Thailand and Japan represented approximately 42 per cent, 6 per cent and 12 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 used in operating activities for the year ended December 31, 2017 was approximately HK$320 million, as compared to cash used in operating activities of approximately HK$411 million in 2016 as the Group received the deposits from the pre-sale of properties and deferred rental income during the year.

Income tax

The Group's income tax for the year ended December 31, 2017 were approximately HK$26 million, as compared to approximately HK$18 million in 2016. The increase was mainly due to more overseas income tax payment especially in Indonesia.

Security on assets

As at December 31, 2017, certain assets of the Group with an aggregated carrying value of approximately HK$94 million were mortgaged and pledged to the bank as security for the loan facility and short-term performance bond.

The pledged assets and equity interests in companies within the Group with an aggregated carrying value of approximately HK$3,399 million and performance guarantee of approximately HK$161 million as of December 31, 2016 have been released during the year of 2017 subsequent to the repayment and cancellation of the USD Facility.

Events after the reporting date

As disclosed in the joint announcement of PCCW and the Company dated January 15, 2018 (the "Joint Announcement") in relation to the proposed joint redevelopment of the properties at No. 3-6 Glenealy, Central, Hong Kong (the "Properties") by the Group and CSI Properties Limited, the Company, through its indirect wholly-owned subsidiary (the "Purchaser") will, subject to certain conditions as disclosed in the Joint Announcement, acquire the equity interest of the target group holding the Properties. Under the sale and purchase agreement, the consideration includes cash consideration of HK$2,018 million (subject to adjustments) and the allotment and issue of the non-voting participating share which is entitled to 50 per cent of the dividends declared or distributions by the Purchaser. An initial deposit of HK$100 million was placed with the stakeholder on January 15, 2018. The transaction is expected to be completed in the first half of 2018. For details, please refer to the Joint Announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2017, the Group employed a total number of 769 staff (inclusive of property management staff borne by owners' account) in Hong Kong and overseas. The remuneration policies of the Group are in line with prevailing industry practices. Bonuses are paid on a discretionary basis taking into account factors such as performances of individual employees and the Group's performance as a whole. The Group provides comprehensive employee benefits, including medical insurance, a choice of provident fund or mandatory provident fund as well as training programs. The Group is also a participating member of the PCCW employee share incentive award schemes.

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

DIVIDENDS AND DISTRIBUTION

The Board did not recommend the payment of a final dividend to shareholders nor a final distribution to bonus convertible noteholders for the year ended December 31, 2017 (2016: 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, 2017 (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS AND CLOSURE OF REGISTER OF NOTEHOLDERS

The Company's register of members will be closed from May 3, 2018 to May 9, 2018, 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 May 2, 2018.

The Company's register of noteholders of bonus convertible notes will be closed from May 3, 2018 to May 9, 2018, 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 May 2, 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2017, 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, 2017 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, 2017, except for code provision E.1.2 as the Chairman of the Board was unable to attend the Company's annual general meeting held on March 10, 2017 due to an urgent business trip. Mr. Lee Chi Hong, Robert, the Deputy Chairman and Chief Executive Officer, chaired the annual general meeting pursuant to the Company's bye-laws and was available to answer questions.

OUTLOOK

The global growth momentum we witnessed in 2017 is likely to continue in 2018. Central banks are shifting their policies very carefully. The US Federal Reserve is expected to raise interest rates and further reduce its balance sheet. The reversing of loose monetary policy is in a steady progress.

The Group sees the rising number of tourists visiting Hokkaido. Japan's government is also poised to strengthen its marketing efforts and add fuel to the tourism industry in the next few years. The Group will make the best of this opportunity and launch the remaining units of the Park Hyatt Hotel and Branded Residences in the next two years.

Pacific Century Place Jakarta, the Group's premium Grade A office building in Jakarta, Indonesia, was substantially completed and in operation in the fourth quarter. Citibank Indonesia, Sotheby's Hong Kong Limited, and Garena will soon be the occupants from the beginning of 2018. The leasing of the office space is progressing well and we expect the building to generate stable recurring rental income for the Group.

In Hong Kong, residential prices in 2017 increased at the fastest pace in five years and we believe this trend is likely to continue in the year ahead. The Group's redevelopment project at Nos. 3-6 Glenealy, Central will become another landmark project of the Group.

In 2018, we will continue to identify suitable projects and monitor the external environment carefully to create value for our shareholders.

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

Hong Kong, February 5, 2018

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*