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, 2016

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, 2016.

SUMMARY

- Consolidated revenue increased by 5 per cent to approximately HK$174 million
- Consolidated operating loss increased by 28 per cent to approximately HK$357 million
- Loss attributable to equity holders of the Company amounted to approximately HK$364 million
- Basic loss per share: 22.96 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 located at Sudirman CBD of Jakarta Indonesia, was topped out on July 31, 2016. The interior works, building services and façade installation are proceeding according to schedule and expect completion in the second quarter of 2017.

PT Prima Bangun Investama, the Group's development arm of the project in Indonesia, was awarded the "Special Recognition in Sustainable Development" in recognition of the contribution to the sustainable development whereas the 40-storey Premium Grade A landmark office building was awarded the "Highly Commended Best Office Architectural Design", both by Indonesia Property Award 2016. The environmentally friendly features and sustainability concept of the building are well-conceived.

In addition to Citibank Indonesia, Sotheby's Hong Kong Limited and FWD, the NorthStar Group has agreed to relocate its office to the building. To date, approximately 20% of the office floor space has been secured by tenants. Some multinational corporations have also expressed interests in moving their regional headquarters or Indonesia representative offices to the building.

Property development in Japan

As reported in November 2015, the detailed designs of the Park Hyatt hotel and residences at Hanazono in Niseko, Hokkaido, Japan, are being worked on as scheduled and the Group expects to unveil the hotel in late 2019 and anticipates launching the residential portion for pre-sale in the first quarter of 2017.

The Park Hyatt hotel and residences will comprise 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.

With strong support of the local government and community, the Group is determined to bring the Park Hyatt hotel and residences to Niseko, 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 as planned. PCPD is in early 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$92 million for the year ended December 31, 2016, as compared to approximately HK$78 million in 2015.

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$47 million for the year ended December 31, 2016, as compared to approximately HK$51 million in 2015.

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$35 million for the year ended December 31, 2016, as compared to approximately HK$36 million in 2015.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Note	For the year ended December 31, 2016	2015
Revenue	2	**174**	165
Cost of sales		**(56)**	(54)
Gross profit		**118**	111
General and administrative expenses		**(418)**	(389)
Other income		**—**	1
Other losses, net		**(57)**	(3)
Operating loss		**(357)**	(280)
Interest income		**11**	12
Loss before taxation	4	**(346)**	(268)
Income tax	5	**(18)**	(5)
Loss attributable to equity holders of the Company from continuing operations		**(364)**	(273)
Profit attributable to equity holders of the Company from discontinued operation due to disposal of subsidiaries in 2014	12	**—**	192
Loss attributable to equity holders of the Company		**(364)**	(81)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - CONTINUED

HK$ million	Note	For the year ended December 31, **2016**	2015
Other comprehensive income/(loss):			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences:			
Exchange differences on translating foreign operations		**56**	(226)
Total comprehensive loss		**(308)**	(307)
Total comprehensive (loss)/income arises from:			
Continuing operations		**(308)**	(499)
Discontinued operation due to disposal of subsidiaries in 2014		**—**	192
		(308)	(307)
(Loss)/earnings per share from continuing operations and discontinued operation (expressed in Hong Kong cents per share)			
Basic and diluted (loss)/earnings per share	7		
Continuing operations		**(22.96) cents**	(17.21) cents
Discontinued operation due to disposal of subsidiaries in 2014		**— cents**	12.09 cents
		(22.96) cents	(5.12) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	Note	**As at December 31, 2016**	As at December 31, 2015
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	8	**3,266**	2,136
Property, plant and equipment		**174**	160
Properties under development		**402**	349
Properties held for development		**544**	525
Goodwill		**3**	3
Other financial assets		**3**	2
Prepayments and other receivables		**273**	200
		4,665	3,375
Current assets			
Sales proceeds held in stakeholders' accounts		**510**	513
Restricted cash		**103**	96
Trade receivables, net	9	**10**	7
Prepayments, deposits and other current assets		**158**	390
Amounts due from fellow subsidiaries		**1**	1
Amount due from a related company		**6**	3
Derivative financial instrument	10	**—**	60
Other financial assets		**4**	4
Short-term deposits		**3**	1
Cash and cash equivalents		**868**	1,815
		1,663	2,890

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

HK$ million	Note	**As at December 31, 2016**	As at December 31, 2015
Current liabilities			
Bank borrowings		**457**	—
Trade payables	11	**23**	14
Accruals, other payables and deferred income		**297**	437
Amounts due to fellow subsidiaries		**—**	1
Amount payable to the HKSAR Government under the Cyberport Project Agreement		**321**	322
Current income tax liabilities		**4**	3
		1,102	777
Net current assets		**561**	2,113
Total assets less current liabilities		**5,226**	5,488
Non-current liabilities			
Other payables		**208**	189
Deferred income		**50**	25
Deferred income tax liabilities		**22**	19
		280	233
Net assets		**4,946**	5,255
CAPITAL AND RESERVES			
Issued equity		**2,847**	2,848
Reserves		**2,099**	2,407
		4,946	5,255

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, 2016 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 13.

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, 2016 adopted by the Group but have no significant impact on the Group's consolidated financial statements

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 (Amendment)	Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation
HKAS 27 (Amendment)	Separate Financial Statements – Equity Method in Separate Financial Statements
HKAS 38 (Amendment)	Intangible Assets – Clarification of Acceptable Methods of Amortisation
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Joint Arrangements – Accounting for Acquisitions of Interest in Joint Operation
Annual Improvements to HKFRS 2012-2014 Cycle	

1. Basis of Preparation and Principal Accounting Policies - Continued

The following new standards and amendments have been issued but are not yet effective for the year ended December 31, 2016 and which the Group has not early adopted:

HKAS 7 (Amendment)	Disclosure Initiative – Statement of Cash Flows [1]
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses [1]
HKFRS 9	Financial Instruments [2]
HKFRS 15	Revenue from Contracts with Customers [2]
HKFRS 15 (Amendment)	Clarifications to HKFRS 15 Revenue from Contracts with Customers [2]
HKFRS 16	Leases [3]

Note:

[1] Effective for annual periods beginning on or after January 1, 2017

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

[3] Effective for annual periods beginning on or after January 1, 2019

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, 2016 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.

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,	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
All-season recreational activities in Japan	**92**	78	**—**	—	**92**	78	**—**	2	**4**	37
Property investment in Indonesia	**—**	—	**—**	—	**—**	—	**(16)**	(19)	**1,126**	344
Property development in Thailand	**—**	—	**—**	—	**—**	—	**(13)**	(16)	**13**	8
Property development in Japan	**—**	—	**—**	—	**—**	—	**(16)**	(8)	**43**	4
Property and facilities Management in Hong Kong	**47**	51	**—**	—	**47**	51	**8**	5	**—**	—
Property development in Hong Kong	**—**	—	**—**	—	**—**	—	**(8)**	4	**—**	—
Property management in Japan (note a)	**20**	16	**—**	—	**20**	16	**3**	2	**—**	—
Other businesses (note b)	**15**	20	**2**	2	**17**	22	**2**	2	**—**	1
Elimination	**—**	—	**(2)**	(2)	**(2)**	(2)	**—**	—	**—**	—
Total of reported segments	**174**	165	**—**	—	**174**	165	**(40)**	(28)	**1,186**	394
Unallocated	**—**	—	**—**	—	**—**	—	**(306)**	(240)	**9**	4
Consolidated	**174**	165	**—**	—	**174**	165	**(346)**	(268)	**1,195**	398

2. Revenue and Segment Information - Continued

HK$ million As at December 31,	Assets **2016**	 2015	Liabilities **2016**	 2015
All-season recreational activities in Japan	**132**	119	**14**	18
Property investment in Indonesia	**3,686**	2,713	**802**	422
Property development in Thailand	**558**	530	**9**	9
Property development in Japan	**498**	409	**25**	9
Property and facilities management in Hong Kong	**27**	19	**5**	10
Property development in Hong Kong	**606**	609	**429**	433
Property management in Japan (note a)	**24**	38	**14**	29
Other businesses (note b)	**73**	73	**11**	12
Total of reported segments	**5,604**	4,510	**1,309**	942
Unallocated	**724**	1,755	**73**	68
Consolidated	**6,328**	6,265	**1,382**	1,010

(a) The segment for property management in Japan has met the quantitative thresholds under HKFRS 8 for reportable segments during the year ended December 31, 2016, therefore it is separately disclosed and its comparative figures have been restated. It was included in other businesses for the year ended December 31, 2015.

(b) Revenue from segments below the quantitative thresholds under HKFRS 8 are 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.

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 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	**2016**	2015	**2016**	2015
Japan	**112**	98	**558**	492
Hong Kong (place of domicile)	**49**	53	**69**	61
Mainland China	**13**	14	**5**	10
Thailand	**—**	—	**544**	525
Indonesia	**—**	—	**3,486**	2,285
	174	165	**4,662**	3,373

3. **Finance Costs**

	For the year ended December 31,	
HK$ million	**2016**	2015
Interest expenses:		
- Bank borrowings	**16**	—
- Other finance costs	**3**	1
	19	1
Less: Interest capitalised into investment properties	**(19)**	(1)
	—	—

The borrowing costs have been capitalised at the weighted average rate of the Group's borrowings at 4.68 per cent per annum in 2016 (2015: 2.56 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, 2016**	2015
Crediting:		
Gross rental income from investment property	**2**	2
Other rental income	**13**	14
Less: outgoings	**(5)**	(6)
Charging:		
Depreciation	**19**	16
Staff costs, included in:		
- cost of sales	**17**	18
- general and administrative expenses	**147**	128
Contributions to defined contribution retirement schemes, included in:		
- cost of sales	**—**	1
- general and administrative expenses	**6**	6
Share-based compensation expenses	**5**	4
Auditor's remuneration		
- audit services	**4**	4
- non-audit services	**1**	1
Operating lease rental of land and buildings included in general and administrative expenses	**40**	33
Operating lease rental of equipment	**3**	3
Net foreign exchange loss	**3**	3

5. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2015: 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	**2016**	2015
Hong Kong profits tax		
- Provision for current year	**1**	—
Income tax outside Hong Kong		
- Provision for current year	**14**	12
Deferred income tax		
- Other origination and reversal of temporary differences	**3**	(7)
	18	5

6. Dividend

	For the year ended December 31,	
HK$ million	**2016**	2015
Final dividend	**—**	—

There was no final dividend paid for 2016 and 2015.

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, 2016	2015
(Loss)/Earnings (HK$ million)		
Loss from continuing operations	**(364)**	(273)
Earnings from discontinued operation due to disposal of subsidiaries in 2014	**—**	192
(Loss)/Earnings for the purpose of calculating the basic and diluted (loss)/earnings per share	**(364)**	(81)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted (loss)/earnings per share	**1,587,648,336**	1,587,775,022

Pursuant to the terms of the applicable deed poll, the bonus convertible notes confer upon the holders the same economic interests attached to the bonus shares. The aggregated amount of HK$592,553,354.40 (2015: HK$592,553,354.40) for the outstanding bonus convertible notes which could be converted into 1,185,106,708 (2015: 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)/earnings per share for the years ended December 31, 2016 and December 31, 2015.

8. Investment properties

Investment properties as at December 31, 2016 represents a property of approximately HK$3,214 million located in Indonesia (December 31, 2015: HK$2,084 million) which the construction is in progress and a completed property of approximately HK$52 million located in Hong Kong (December 31, 2015: HK$52 million). The movements of the carrying value of the investment properties during the year are as follows:

HK$ million	**2016**	2015
At January 1,	**2,136**	1,926
Additions	**1,126**	340
Exchange differences	**4**	(130)
At December 31,	**3,266**	2,136

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, 2016**	As at December 31, 2015
Current	**6**	5
One to three months	**3**	2
More than three months	**1**	—
	10	7

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. 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"). 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. The Option expired on June 27, 2016. As at June 27, 2016, the fair value of the Option was nil (December 31, 2015: HK$60 million). Upon the expiry of the Option, the derivative financial instrument has been de-recognised. The total fair value loss of HK$60 million is recognised in "other losses, net" in the consolidated statement of comprehensive income for the year ended December 31, 2016.

11. Trade Payables

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

HK$ million	**As at December 31, 2016**	As at December 31, 2015
Current	**23**	13
More than three months	**—**	1
	23	14

12. Discontinued Operation and Disposal of Subsidiaries in 2014

In 2015, a profit of HK$192 million from discontinued operation due to disposal of subsidiaries in 2014 arose from the adjustment in respect of the reversal of provision for tax and direct expenses. The net cash outflow of HK$452 million for the year ended December 31, 2015 represented the payment of tax and direct expenses in 2015 in relation to the disposal of subsidiaries in 2014. (For details, refer to note 12 to the 2015 Financial Statements.)

13. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom be equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Estimated valuation of investment properties

The best evidence of fair value is 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, 2016, the fair value of the investment properties was HK$3,266 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.

13. Critical Accounting Estimates and Judgements - Continued

(iii) Taxation

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, 2016, 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:

— property, plant and equipment;

— goodwill;

— properties under /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/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.

(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 Group was approximately HK$174 million for the year ended December 31, 2016, representing an increase of approximately 5 per cent from approximately HK$165 million in 2015.

The consolidated gross profit of the Group for the year ended December 31, 2016 was approximately HK$118 million, representing an increase of approximately 6 per cent from approximately HK$111 million in 2015. For the year ended December 31, 2016, the gross profit margin was 68 per cent as compared to 67 per cent in 2015. The increase in consolidated gross profit was mainly due to the increase in revenue in 2016.

The general and administrative expenses were approximately HK$418 million for the year ended December 31, 2016, representing an increase of 7 per cent from approximately HK$389 million in 2015. Such increase was mainly due to the increase in staff and consultant costs incurred during the year.

The Group reported a loss of HK$60 million in “other losses, net” being the fair value adjustment of a call spread option (“Option”) expired on June 27, 2016. The Option was purchased on June 25, 2015 for the purpose of managing the risk of foreign currency exposure arising from the Group’s net investment in the foreign operation in Indonesia. There was no cash flow impact to the Group in the year ended December 31, 2016.

The consolidated operating loss for the year ended December 31, 2016 increased to approximately HK$357 million, as compared to approximately HK$280 million in 2015. Such increase was mainly due to the recognition of fair value adjustment of the Option in 2016.

As a result of the above, the Group recorded a consolidated net loss after taxation of approximately HK$364 million for the year ended December 31, 2016, as compared to approximately HK$81 million in 2015 after the reversal of provision for tax and direct expenses of approximately HK$192 million in relation to the disposal of subsidiaries in 2014. Basic loss per share during the year under review was 22.96 Hong Kong cents, as compared to basic loss per share of 5.12 Hong Kong cents in 2015.

Current assets and liabilities

As at December 31, 2016, the Group held current assets of approximately HK$1,663 million (December 31, 2015: HK$ 2,890 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 de-recognition of derivative financial instrument upon its expiry during the year and the cash used in the development project. Cash and bank balances (including cash and cash equivalents and short-term deposits) decreased by approximately 52 per cent from approximately HK$1,816 million as at December 31, 2015 to approximately HK$871 million as at December 31, 2016 for operational purpose and payment of construction costs while the development project in Indonesia was partly financed by loan drawdown in 2016. Sales proceeds held in stakeholders’ accounts amounted to approximately HK$510 million as at December 31, 2016 (December 31, 2015: HK$513 million). The level of restricted cash increased to approximately HK$103 million as at December 31, 2016 from approximately HK$96 million as at December 31, 2015 as approximately HK$8 million was parked in the interest reserve account pledged for the loan drawdown during the year. As at December 31, 2016, the current ratio was 1.51 (December 31, 2015: 3.72).

As at December 31, 2016, the Group’s total current liabilities amounted to approximately HK$1,102 million, as compared to approximately HK$777 million as at December 31, 2015. Such increase was due to the loan drawdown during the year which was classified as current liabilities; such classification was based on the fact that the loan facilities would be expired on or before six months after the completion of the property in Indonesia or December 31, 2017, whichever is earlier.

Capital structure, liquidity and financial resources

As at December 31, 2016, the Group's borrowings amounted to approximately HK$457 million (December 31, 2015: Nil), which represented the amortised cost of a financial liability in respect of the term loan with principal amount of US$60 million (equivalent to approximately HK$465 million) drawn down in 2016.

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 of which US$140 million remained undrawn by the Group as at December 31, 2016.

As at December 31, 2016, the net debt-to-equity ratio was not applicable (December 31, 2015: not applicable) given the net debt was zero after deducting the aggregate of cash and cash equivalents and short-term deposits of HK$871 million from the principal amount of borrowings of HK$465 million.

The Group's borrowings were denominated in US dollars 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, 2016, the assets of the Group in Indonesia, Thailand and Japan represented approximately 58 per cent, 9 per cent and 10 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. Such option has been expired on June 27, 2016.

Cash used in operating activities for the year ended December 31, 2016 was approximately HK$411 million, as compared to cash generated from operating activities of approximately HK$435 million in 2015 as the Group received net surplus proceeds distribution of the Cyberport project in 2015.

Income tax

The Group's income tax for the year ended December 31, 2016 were approximately HK$18 million, as compared to approximately HK$5 million in 2015. The increase was mainly due to the de-recognition of deferred income tax liabilities in 2015.

Security on assets

As at December 31, 2016, certain assets of the Group and equity interests in companies within the Group with an aggregate carrying value of approximately HK$3,399 million (December 31, 2015: HK$2,268 million) and performance guarantee of approximately HK$161 million (December 31, 2015: HK$161 million) were mortgaged and pledged to banks as security for the loan facilities.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2016, the Group employed a total number of 427 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 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.

DIVIDEND 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, 2016 (2015: 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, 2016 (2015: Nil).

CLOSURE OF REGISTER OF MEMBERS AND CLOSURE OF REGISTER OF NOTEHOLDERS

The Company's register of members will be closed from March 9, 2017 to March 10, 2017, 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 March 8, 2017.

The Company's register of noteholders of bonus convertible notes will be closed from March 9, 2017 to March 10, 2017, 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 March 8, 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2016, the Company repurchased a total of its 199,000 ordinary shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for an aggregate consideration of HK$575,170 (excluding expenses) when they were trading at a discount in order to enhance shareholder value. All repurchased shares were cancelled during the year under review. Details of the shares repurchased are as follows:

Period of repurchase	Number of shares repurchased	Price paid per share		Aggregate Consideration
		Highest	Lowest	
		HK$	HK$	HK$
April 2016	199,000	2.92	2.87	575,170

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2016.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's audited consolidated financial statements for the year ended December 31, 2016 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 ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange during the year ended December 31, 2016, except for code provision E.1.2 of the CG Code as the Chairman of the Board was unable to attend the Company's annual general meeting held on May 4, 2016 due to an urgent business trip. Prof Wong Yue Chim, Richard, an independent non-executive director, chaired the annual general meeting pursuant to the Company's bye-laws and was available to answer questions.

OUTLOOK

Looking forward in 2017, we will likely see the gradual normalisation of the US's monetary policy and the administration of the new US president. Meanwhile, the UK looks set to start the formal process of leaving the European Union by the end of March, whereas France and Germany will have their presidential elections later this year. All these incidents and their outcomes are likely to trigger a financial turmoil across the world. We anticipate global markets will be eventful throughout the year with increased volatility and intensity.

Emerging markets in Asia are threatened by capital outflow and currency depreciation as the strong US dollar is expected to remain for a period of time. Since majority of the Group's assets are located overseas, the Group is inevitably exposed to certain risks of currency fluctuation. We will meticulously manage these risks so as to minimise the impact.

On the other hand, the Group intends to retain cash and exercise appropriate leverage to fund the overseas projects as well as to look for opportunities worldwide that can offer good returns with manageable risks.

Pacific Century Place Jakarta, the Group's Premium Grade A office building in Jakarta, Indonesia, will be completed in this year. The building is expected to generate stable recurring rental income to the Group. The leasing activities of the office building are progressing well, Citibank Indonesia, Sotheby's Hong Kong Limited, FWD and the NorthStar Group, have agreed to occupy some of the office space.

The project in Japan and Thailand are also proceeding as scheduled.

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

Hong Kong, January 16, 2017

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*