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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, 2022**

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, 2022.

SUMMARY

- Consolidated revenue increased 20 per cent to HK\$561 million
- Consolidated operating loss decreased 40 per cent to HK\$215 million
- Loss attributable to equity holders of the Company amounted to HK\$598 million
- Basic loss per share: 29.34 Hong Kong cents
- The Board did not recommend the payment of a final dividend

REVIEW OF OPERATIONS

Property investment and development

Property investment in Indonesia

In Jakarta, Indonesia, the occupancy of our premium commercial building, Pacific Century Place, Jakarta (“PCP Jakarta”), maintained stable throughout the year. At the end of December 31, 2022, the office space occupancy was at 81%. The gross rental income amounted to HK\$239 million for 2022, compared to HK\$248 million in 2021.

Property development in Japan

The Group has no revenue from its property development in Japan for the year ended December 31, 2022 compared to HK\$42 million in 2021.

Property development and golf operation in Thailand

In Phang Nga, Thailand, the Group has sold or reserved 33% of our phase 1A villas. The Group’s revenue from its property development in Thailand amounted to HK\$24 million for the year ended December 31, 2022 compared to HK\$8 million in 2021.

Visitors to the golf clubhouse and the 18-hole golf course and the number of golf rounds increased notably during the year, thanks to the Thai government’s decision to ease travel restrictions progressively. For the year ended December 31, 2022, the Group’s revenue from its golf operations in Thailand amounted to HK\$5 million, compared to HK\$2 million in the previous year.

Property development in Hong Kong

The foundation work for our property development project at 3–6 Glenealy, Central, has been progressing well since its commencement in the first quarter of 2022.

Hotel operations, recreation and leisure operation in Japan

Hotel operations in Japan

Park Hyatt Niseko, Hanazono, one of our hotel operations in Hokkaido, turned in a satisfactory performance in 2022 year-on-year, mainly because Japan opened up its borders in October 2022. In the month of December, 2022, the occupancy was 62%, an increase from 38% recorded in the same period in 2021.

The Group’s revenue from its hotel operations in Japan amounted to HK\$150 million for the year ended December 31, 2022, a considerable increase from HK\$74 million in 2021.

Recreation and leisure operation in Japan

The Group’s all-season recreational operation is located in Niseko, Hokkaido, Japan, which is one of the premium ski destinations in the world. There are various facilities and recreational activities operated by the Group, including “Hanazono EDGE” (a restaurant and entertainment centre), ski lifts, ski equipment rental, a ski school and snowmobile tours in the winter, rafting tours, golfing in the summer, and the recently launched “Hanazono Zipflight”, which features the longest zipline in East Asia.

Japan’s move to open its borders and lift travel restrictions in the second half of 2022 had a positive impact on our all-season recreational business in Niseko. Revenue from this segment rose to HK\$74 million for the year ended December 31, 2022 from HK\$37 million for the year ended December 31, 2021.

Property and facilities management

Hong Kong

The Group provides property management and facilities management services in Hong Kong and generated a revenue of HK\$31 million for the year ended December 31, 2022 compared to HK\$30 million in 2021.

Other businesses

Other businesses of the Group mainly include property management services in Japan and property investment in Hong Kong. The revenue from these other businesses amounted to HK\$38 million for the year ended December 31, 2022 compared to HK\$26 million in 2021.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK\$ million	Notes	For the year ended December 31,	
		2022	2021
Revenue	2	561	467
Cost of sales		<u>(228)</u>	<u>(160)</u>
Gross profit		333	307
General and administrative expenses		(662)	(652)
Other income	3	114	2
Other loss		<u>—</u>	<u>(15)</u>
Operating loss		(215)	(358)
Interest income		14	7
Finance costs	4	<u>(343)</u>	<u>(432)</u>
Loss before taxation	5	(544)	(783)
Income tax	6	<u>(54)</u>	<u>(42)</u>
Loss attributable to equity holders of the Company		<u>(598)</u>	<u>(825)</u>
Other comprehensive loss:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation differences:			
Exchange differences on translating foreign operations		<u>(733)</u>	<u>(342)</u>
Total comprehensive loss		<u>(1,331)</u>	<u>(1,167)</u>
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	8	<u>(29.34) cents</u>	<u>(42.46) cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK\$ million	Notes	As at December 31, 2022	As at December 31, 2021
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	3,374	3,707
Property, plant and equipment		2,531	3,067
Right-of-use assets		32	55
Properties under development	10a	2,921	2,672
Properties held for development	10b	422	437
Goodwill		4	4
Financial assets at fair value through profit or loss		1	8
Prepayments and other receivables		194	242
		<u>9,479</u>	<u>10,192</u>
Current assets			
Properties under development/held for sale	10a	250	260
Inventories		19	17
Sales proceeds held in stakeholders' accounts		506	504
Restricted cash		153	119
Trade receivables, net	11	59	34
Prepayments, deposits and other current assets		134	457
Amounts due from related companies		4	5
Short-term deposits		90	1,942
Cash and cash equivalents		596	1,516
		<u>1,811</u>	<u>4,854</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

HK\$ million	Note	As at December 31, 2022	As at December 31, 2021
Current liabilities			
Short-term borrowings		615	2,417
Current portion of long-term borrowings		9	10
Trade payables	12	20	15
Accruals and other payables		342	473
Deferred income and contract liabilities		144	78
Lease liabilities		22	25
Amount payable to the HKSAR Government under the Cyberport Project Agreement		335	334
Current income tax liabilities		8	11
		<u>1,495</u>	<u>3,363</u>
Net current assets		<u>316</u>	<u>1,491</u>
Total assets less current liabilities		<u>9,795</u>	<u>11,683</u>
Non-current liabilities			
Long-term borrowings		8,350	8,880
Other payables		185	181
Deferred income and contract liabilities		—	16
Lease liabilities		17	34
Deferred income tax liabilities		30	28
		<u>8,582</u>	<u>9,139</u>
Net assets		<u><u>1,213</u></u>	<u><u>2,544</u></u>
CAPITAL AND RESERVES			
Issued equity		3,802	3,802
Reserves		(2,722)	(1,391)
Capital and reserves attributable to equity holders of the Company		1,080	2,411
Non-controlling interests		133	133
		<u><u>1,213</u></u>	<u><u>2,544</u></u>

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, which is a collective term for all individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap. 622).

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

The consolidated financial statements for the year ended December 31, 2022 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 COVID-19 pandemic has continued to adversely impact the Group’s operations, in particular the hospitality business in Japan. During the year ended December 31, 2022, the Group incurred a loss attributable to equity holders of the Company of HK\$598 million (2021: HK\$825 million). As at 31 December 2022, the Group had a JPY 10,000 million facility with maturity date of March 31, 2023 and carried out negotiation for extension of the maturity date of the facility with the bank. Subsequent to the balance sheet date, on February 1, 2023, the JPY 10,000 million facility was extended with maturity date in February 2025.

Having taken into account the Group’s history in obtaining external financing and successful extension of maturity date of loan facility as mentioned above, as well as future working capital requirements and cash resources, the directors consider the Group has sufficient financial resources to meet its financial obligations as and when they fall due in the next twelve months period ending December 31, 2023. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 13.

The HKICPA has issued certain new and revised HKFRSs that are adopted for the current accounting period of the Group. The following sets out the changes in accounting policies for the current accounting period reflected in these consolidated financial statements.

i. Adoption of new/revised accounting standards

Amendments effective for the annual period beginning on January 1, 2022 adopted by the Group but have no significant impact on the Group’s consolidated financial statement:

HKAS 16 (Amendments)	Property, Plant and Equipment
HKAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets
HKFRS 3 (Revised) (Amendments)	Business Combinations
Annual Improvements to HKFRS (Amendments)	Annual Improvements 2018-2020 Cycle

The Group has not early adopted any other new or amended HKFRSs and HKASs that not yet effective for the current accounting period.

1. Basis of Preparation and Principal Accounting Policies - Continued

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

The following new standards, amendments and interpretation have been issued but are not yet effective for the year ended December 31, 2022 and which the Group has not early adopted:

HKAS 1 (Revised) (Amendments)	Presentation of Financial Statements ¹
HKAS 8 (Amendments)	Accounting Policies, Changes in Accounting Estimates and Errors ¹
HKAS 12 (Amendments)	Income Taxes ¹
HKAS 28 (2011) (Amendments)	Investments in Associates and Joint Ventures ³
HKFRS 10 (Amendments)	Consolidated Financial Statements ³
HKFRS 16 (Amendments)	Leases ²
HKFRS 17	Insurance Contracts ¹
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clauses ²

Notes:

¹ Effective for annual periods beginning on or after January 1, 2023

² Effective for annual periods beginning on or after January 1, 2024

³ Effective date to be determined

The Group does not expect the adoption of the above standards, amendments and interpretation 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 For the year ended December 31,	<u>Revenue (note i)</u>						<u>Results</u>		<u>Other information</u>			
	<u>Revenue from external customers</u>		<u>Inter-segment revenue</u>		<u>Reportable segment revenue</u>		<u>Segment results before taxation</u>		<u>Additions to non-current segment assets</u>		<u>Depreciation</u>	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
All-season recreational activities in Japan	74	37	—	—	74	37	(51)	(63)	18	209	(45)	(23)
Property development in Japan	—	42	—	—	—	42	51	(8)	65	31	(5)	(7)
Hotel operations in Japan	150	74	—	—	150	74	(183)	(244)	68	3	(107)	(126)
Property investment in Indonesia	239	248	—	—	239	248	97	139	1	1	(6)	(8)
Property development and golf operation in Thailand	29	10	—	—	29	10	(48)	(38)	13	12	(11)	(11)
Property and facilities management in Hong Kong	31	30	—	—	31	30	9	6	—	—	—	—
Property development in Hong Kong	—	—	—	—	—	—	(5)	(3)	150	92	—	—
Other businesses (note ii)	38	26	2	2	40	28	—	(4)	1	—	(20)	(35)
Elimination	—	—	(2)	(2)	(2)	(2)	—	—	—	—	(1)	—
Total of reported segments	561	467	—	—	561	467	(130)	(215)	316	348	(195)	(210)
Unallocated	—	—	—	—	—	—	(414)	(568)	—	—	—	—
Consolidated	<u>561</u>	<u>467</u>	<u>—</u>	<u>—</u>	<u>561</u>	<u>467</u>	<u>(544)</u>	<u>(783)</u>	<u>316</u>	<u>348</u>	<u>(195)</u>	<u>(210)</u>

2. Revenue and Segment Information – Continued

a. Business segments - Continued

HK\$ million	<u>Assets</u>		<u>Liabilities</u>	
As at December 31,	2022	2021	2022	2021
All-season recreational activities in Japan	557	767	61	48
Property development in Japan	745	736	13	149
Hotel operations in Japan	1,656	1,941	707	763
Property investment in Indonesia	3,820	4,425	283	286
Property development and golf operation in Thailand	925	982	61	66
Property and facilities management in Hong Kong	34	26	3	2
Property development in Hong Kong	2,491	2,457	874	818
Other businesses (note ii)	131	89	68	18
Total of reported segments	10,359	11,423	2,070	2,150
Unallocated	931	3,623	8,007	10,352
Consolidated	<u>11,290</u>	<u>15,046</u>	<u>10,077</u>	<u>12,502</u>

(i) For the years ended December 31, 2022 and 2021, the timing of revenue recognition is as follow:

HK\$ million	2022	2021
External revenue from contracts with customers:		
Timing of revenue recognition		
- At a point in time	107	93
- Over time	278	196
External revenue from other sources:		
- Rental income	176	178
	<u>561</u>	<u>467</u>

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

2. Revenue and Segment Information – Continued

b. Geographical information

The following table sets out the information about geographical location of (i) the Group’s revenue from external customers and (ii) the Group’s investment properties, property, plant and equipment, right-of-use assets, properties under development, properties held for development, goodwill, financial assets at fair value through profit or loss 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, financial assets at fair value through profit or loss and prepayments and other receivables.

HK\$ million	Revenue from external customers		Specified non-current assets	
	2022	2021	2022	2021
Japan	259	177	2,600	3,025
Hong Kong (place of domicile)	34	32	2,569	2,447
Thailand	29	10	729	754
Indonesia	239	248	3,581	3,966
	<u>561</u>	<u>467</u>	<u>9,479</u>	<u>10,192</u>

3. Other Income

HK\$ million	For the year ended December 31,	
	2022	2021
Gain on disposal of land	113	—
Other	<u>1</u>	<u>2</u>
	<u>114</u>	<u>2</u>

During the year ended December 31, 2022, the Group settled certain development costs of the property development projects in Japan by way of disposing a piece of land in Japan included in properties under development. A gain on disposal of land of HK\$113 million is recognised as a result of the non-cash settlement.

4. Finance Costs

HK\$ million	For the year ended	
	December 31,	
	2022	2021
Interest expenses:		
- Bank borrowings	77	49
- Guaranteed notes	360	366
- Lease liabilities	1	1
- Other finance costs	3	3
- Loss on redemption of guaranteed notes	—	60
- Exchange loss on guaranteed notes	9	47
	<u>450</u>	<u>526</u>
Less:		
- Interest capitalised into properties under development / held for development	(107)	(87)
- Interest capitalised into property, plant and equipment	—	(7)
	<u>343</u>	<u>432</u>

Borrowing costs have been capitalised at the weighted average rate of the Group's borrowings at 4.34 per cent per annum in 2022 (2021: 4.17 per cent).

5. Loss Before Taxation

Loss before taxation is stated after charging/(crediting) the following:

HK\$ million	For the year ended	
	December 31,	
	2022	2021
Cost of properties sold	64	44
Cost of inventories sold	23	7
Depreciation of property, plant and equipment	174	175
Depreciation of right-of-use assets		
- properties	20	34
- equipment and others	1	1
Loss on disposal of properties, plant and equipment	4	6
Outgoings in respect of investment properties	53	54
Staff costs (note i), included in:		
- cost of sales	62	55
- general and administrative expenses	180	188
Contributions to defined contribution retirement schemes, included in:		
- cost of sales	1	1
- general and administrative expenses	4	5
Auditor's remuneration		
- audit services	4	4
- non-audit services	—	1
Net foreign exchange loss / (gain)	4	(2)
Variable lease payment expenses	18	12
Short-term lease expenses	3	2

- (i) For the year ended December 31, 2022, the Group received subsidies from governments to aid the economic pressures from COVID-19 to the Group of which HK\$1 million (2021: HK\$9 million) and HK\$2 million (2021: HK\$1 million) are netted off with staff costs in the Group's cost of sales and general and administrative expenses respectively.

6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2021: 16.5 per cent) on the estimated assessable profits for the year.

Taxation for subsidiaries outside Hong Kong which mainly in Japan, Indonesia and Thailand 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,	
	2022	2021
Hong Kong profits tax		
- Provision for current year	3	1
Income tax outside Hong Kong		
- Provision for current year	49	52
Deferred income tax	2	(11)
	<u>54</u>	<u>42</u>

7. Dividend

There was no final dividend paid for 2022 and 2021.

8. Loss Per Share

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

	For the year ended December 31,	
	2022	2021
Loss (HK\$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	<u>(598)</u>	<u>(825)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	<u>2,038,276,786</u>	<u>1,944,373,942</u>

The weighted average number of shares of the Company for the year ended December 31, 2021 has been adjusted to reflect the effect of the rights issue which took place on March 24, 2021.

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.

As at December 31, 2022, bonus convertible notes in an aggregated amount of HK\$592,552,133.20 (2021: HK\$592,552,133.20) have been converted into 1,185,104,266 shares of the Company (2021: 1,185,104,266 shares). The outstanding bonus convertible notes in an aggregated amount of HK\$20,021.20 (2021: HK\$20,021.20) at the conversion price of HK\$0.50 per share convertible into 40,042 (2021: 40,042) have been included in the weighted average number of ordinary shares for calculating the basic loss per share for the years ended December 31, 2022 and December 31, 2021, respectively.

9. Investment Properties

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

HK\$ million	2022	2021
At January 1,	3,707	3,699
Additions	—	1
Exchange differences	<u>(333)</u>	<u>7</u>
At December 31,	<u>3,374</u>	<u>3,707</u>

10. Properties under development/held for sale/held for development

a. Properties under development/held for sale

HK\$ million	2022	2021
At January 1,	2,932	624
Additions	219	133
Charged to income statement	(23)	(41)
Transfer between properties under development and property, plant and equipment	103	—
Transfer between properties under development and properties held for development	—	2,272
Exchange differences	<u>(60)</u>	<u>(56)</u>
At December 31,	3,171	2,932
Less: Properties under development classified as non-current assets	<u>(2,921)</u>	<u>(2,672)</u>
Properties under development/held for sale classified as current assets	<u>250</u>	<u>260</u>

- (i) Properties under development classified as non-current assets as at December 31, 2022 consists of a property in Hong Kong amounted to HK\$2,466 million and the freehold land under development in Japan which is held by an indirect wholly-owned subsidiary amounted to HK\$455 million. Management performed an assessment of the net realisable value of the development project in Japan and development project in Hong Kong included in properties under development as at December 31, 2022. The assessment was based on the discounted cash flow forecast of the development project which involved the use of significant estimates and assumptions such as selling prices, construction costs and discount rate. Changes in the assumptions adopted in the valuation may result in a change in future estimate of the net realisable value of the development project. During the year ended December 31, 2021, a property in Hong Kong of carrying amount of HK\$2,272 million has been transferred from properties held for development to properties under development.
- (ii) Properties under development/held for sale classified as current assets as at December 31, 2022 consists of HK\$83 million (December 31, 2021: HK\$94 million) for the branded residences completed and held for sale in Hokkaido, Japan and HK\$167 million (December 31, 2021: HK\$166 million) for the first phase development project under construction in Thailand.

b. Properties held for development

HK\$ million	2022	2021
At January 1,	437	2,712
Additions	2	43
Transfer to properties under development	—	(2,272)
Exchange differences	<u>(17)</u>	<u>(46)</u>
At December 31,	<u>422</u>	<u>437</u>

Properties held for development as at December 31, 2022 represent the freehold land in Thailand which the Group intends to hold for future development projects.

11. Trade Receivables, Net

An aging analysis of trade receivables, based on invoice date and before provision for receivable impairment, is set out below:

HK\$ million	As at December 31, 2022	As at December 31, 2021
1 – 30 days	59	33
31 – 90 days	<u>—</u>	<u>1</u>
	<u>59</u>	<u>34</u>

Trade receivables have a normal credit period which ranges up to 30 days from the date of the invoice unless there is separate mutual agreement on extension of the credit period.

12. Trade Payables

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

HK\$ million	As at December 31, 2022	As at December 31, 2021
1 – 30 days	<u>20</u>	<u>15</u>

13. Critical Accounting Estimates and Judgements

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

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

(i) Estimated valuation of investment properties

The best evidence of fair value is the current prices in an active market for similar properties. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its estimates, the Group considers both (i) information from the valuations of investment properties performed by external professional valuers on a market value basis and (ii) other principal assumptions, including the current and expected capitalisation rate, market price and market rent in view of the current usage and condition of the investment properties to determine the fair value of the investment properties. Had the Group used different capitalisation rates, market prices, market rents or other assumptions, the fair value of the investment properties would be different and thus caused impact to the consolidated statement of comprehensive income. As at December 31, 2022, the fair value of the investment properties was HK\$3,374 million.

(ii) 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, 2022, no deferred income tax assets were netted off against the deferred income tax liabilities recognised in the consolidated statement of financial position.

13. Critical Accounting Estimates and Judgements - Continued

(iii) Impairment of non-financial assets

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

- property, plant and equipment;
- right-of-use assets;
- goodwill; and
- properties under development/held for sale/held for development.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

The sources used to identify indications of impairment are often subjective in nature and the Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at the end of any given reporting period.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable value. The recoverable value of property, plant and equipment, right-of-use assets, goodwill and investment in a subsidiary represents the greater of the asset's fair value less cost to sell or its value in use while the recoverable value of properties under development/held for sale/held for development refers to the net realisable value. Depending on the Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Group may perform such assessments utilising internal resources or the Group may engage external advisors to counsel the Group. Regardless of the resources utilised, the Group is required to make many assumptions to make these assessments, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

No provision for impairment is recognised for the year ended December 31, 2022. (2021: nil)

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was HK\$561 million for the year ended December 31, 2022, representing an increase of 20 per cent from HK\$467 million in 2021. The increase was mainly due to the increase in operating revenue from hotel operations and all-season recreational operations in Niseko, Hokkaido, Japan.

The consolidated gross profit of the Group for the year ended December 31, 2022 was HK\$333 million, representing an increase of 8 per cent from HK\$307 million in 2021. For the year ended December 31, 2022, the gross profit margin was 59 per cent compared to 66 per cent in 2021.

The general and administrative expenses were HK\$662 million for the year ended December 31, 2022, representing an increase of 2 per cent from HK\$652 million in 2021. The increase was mainly due to the higher operating costs from hotel operations and all-season recreational operations in Niseko, Hokkaido, Japan.

The consolidated operating loss for the year ended December 31, 2022 decreased to HK\$215 million as compared to HK\$358 million in 2021. Such decrease was mainly due to the gain on disposal of a piece of land in Japan as settlement of certain development costs and the improved performance in hotel operations and all-season recreational operations in Niseko, Hokkaido, Japan.

The Group recorded lower finance costs of HK\$343 million for the year ended December 31, 2022 compared to HK\$432 million for 2021. The decrease was mainly due to a one-off loss arising from the partial redemption of the 4.75% guaranteed notes in June 2021. The consolidated net loss after taxation was HK\$598 million for the year ended December 31, 2022, as compared to HK\$825 million in 2021. Basic loss per share during the year under review was 29.34 Hong Kong cents compared to basic loss per share of 42.46 Hong Kong cents in 2021.

Current assets and liabilities

As at December 31, 2022, the Group held current assets of HK\$1,811 million (December 31, 2021: HK\$4,854 million), mainly comprising properties under development/held for sale, cash and cash equivalent, short-term deposits, sales proceeds held in stakeholders' accounts, restricted cash, and prepayments, deposits and other current assets. The decrease in current assets is mainly attributable to the redemption of the remaining US\$307 million of the 4.75% guaranteed notes in March 2022 and settlement of development costs. Sales proceeds held in stakeholders' accounts amounted to HK\$506 million as at December 31, 2022 (December 31, 2021: HK\$504 million). The level of restricted cash increased to HK\$153 million as at December 31, 2022 (December 31, 2021: HK\$119 million).

As at December 31, 2022, the Group's total current liabilities amounted to HK\$1,495 million, as compared to HK\$3,363 million as at December 31, 2021. The decrease was mainly due to the redemption of the remaining US\$307 million of the 4.75% guaranteed notes in March 2022. As at December 31, 2022, the current ratio was 1.21 (December 31, 2021: 1.44).

Capital structure, liquidity and financial resources

As at December 31, 2022, the Group's borrowings amounted to HK\$9,028 million (December 31, 2021: HK\$11,307 million). The balance as at December 31, 2022 represented the amortised cost of financial liabilities in respect of the 5.125% guaranteed notes of US\$800 million issued (equivalent to HK\$6,239 million), the total outstanding principal amount of Japanese Yen ("JPY") 11,140 million (equivalent to HK\$651 million) under all JPY loan facilities, together with the principal amount of HK\$2,138 million under the Hong Kong dollar loan facilities.

On March 9, 2017 and October 3, 2019, PCPD Capital Limited ("PCPD Capital"), an indirect wholly-owned subsidiary of the Company, issued respective principal amounts of US\$570 million and US\$130 million 4.75% guaranteed notes due 2022 ("Notes"), which are listed on the Singapore Exchange Securities Trading Limited. The 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 7, 2021, the Company announced to invite holders of the Notes to tender any or all Notes held by them for purchase by the Company for cash (the "Tender Offer"). On June 18, 2021, the Company completed the settlement of the Tender Offer, accepted for purchase and cancelled US\$384 million in aggregate principal amount of the Notes and resulted in a loss of redemption of HK\$60 million. In October 2021 and December 2021, the Company repurchased and cancelled US\$9 million of the Notes. On March 9, 2022, the maturity date of the Notes, PCPD Capital has fully repaid all remaining Notes.

On June 18, 2021, PCPD Capital issued in aggregate principal amount of US\$800 million 5.125% new guaranteed notes due 2026 ("New Notes"), which are listed on the Singapore Exchange Securities Trading Limited. The estimated fair value of the option of the early redemption and repurchase rights are recognised as financial assets at fair value through profit or loss. The New Notes are irrevocably and unconditionally guaranteed by the Company. The New Notes rank pari passu among themselves and with all other present and future 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 which the lender had agreed to make available a term loan facility up to an aggregate amount of JPY1,500 million ("JPY Facility 2026"). The maturity date of the JPY Facility 2026 is December 2026. Such facility is secured by the land and buildings and a bank account of the indirect wholly-owned subsidiary and the indirect wholly-owned subsidiary is subject to certain financial covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2022, none of the covenants were breached. The carrying value of the borrowing as at December 31, 2022 represents the outstanding principal amount of JPY600 million (equivalent to HK\$35 million) (December 31, 2021: JPY750 million) offset by the deferred arrangement costs of JPY14 million (equivalent to HK\$1 million) (December 31, 2021: JPY22 million).

In April, 2021, a project development loan facility was entered by an indirect wholly-owned subsidiary of the Company which the lenders agreed to make available a term loan facility up to an aggregate amount of HK\$1,382 million ("HK\$ Loan 2026"). The maturity date for the HK\$ Loan 2026 is the earlier of April 13, 2026 or twelve months after occupation permit of the development project in Hong Kong being issued by the building authority. The HK\$ Loan 2026 is secured by certain land and property, bank accounts, shares and other assets of the indirect non-wholly owned subsidiaries and 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 of December 31, 2022, none of the covenants were breached and the carrying value of the HK\$ Loan 2026 represents the loan drawdown of HK\$880 million (December 31, 2021: HK\$827 million) offset by the deferred loan arrangement costs of HK\$10 million (December 31, 2021: HK\$13 million).

On March 29, 2018, an indirect wholly-owned subsidiary of the Company (the “Borrower”) entered into a term loan facility agreement under which the lender agreed to make available term loan facilities up to an aggregate amount of JPY20,000 million. The facility comprises (1) a JPY10,000 million facility for the construction of a branded residence (“JPY Facility 2021”) which matures on February 14, 2020 with an 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 a maturity date of March 31, 2023. In February 2020, the Borrower has fully repaid the JPY Facility 2021. The JPY Facility 2023 is secured by certain land and property, ordinary and/or preferred shares of the Borrower and an indirect wholly-owned subsidiary of the Company (the “Hotel Operator”). The Borrower and the Hotel Operator are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As of December 31, 2022, none of the covenants were breached and the carrying value of the JPY Facility 2023 represents the outstanding principal amount of JPY10,000 million (equivalent to HK\$584 million) (December 31, 2021: JPY10,000 million) offset by the deferred loan arrangement costs of JPY14 million (equivalent to HK\$1 million) (December 31, 2021: JPY70 million). Subsequent to the balance sheet date, on February 1, 2023, the JPY Facility 2023 was extended with maturity date in February 2025.

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 a term loan facility up to an aggregate amount of HK\$1,170 million. On June 27, 2022, an amendment of the term loan facility agreement was entered, and the available term loan facility was upsized to HK\$1,340 million. The maturity date of the term loan facility is in June 2024 (“HK\$ Loan 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, 2022, none of the covenants were breached and the carrying value of the borrowing represents the loan drawdown of HK\$1,258 million (December 31, 2021: HK\$1,170 million) offset by the deferred loan arrangement fees of HK\$5 million (December 31, 2021: HK\$8 million).

As at December 31, 2022, the net debt-to-equity ratio was 687.7 per cent (as at December 31, 2021: 311.6 per cent). The net debt is calculated from the aggregated principal amounts of borrowings of HK\$9,028 million less the aggregate of cash and cash equivalents and short term deposits of HK\$686 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, 2022, the assets of the Group in Indonesia, Thailand and Japan represented 34 per cent, 8 per cent and 23 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, 2022 was HK\$101 million compared to cash used in operating activities of HK\$392 million in 2021. The change in operating cash flow was mainly due to the collection of stamp duty refund for the property development project in Hong Kong and the refund of the value added tax overpayment and penalty for the property investment in Indonesia.

Equity fund raising activity

On March 24, 2021, the Company completed a rights issue of 450,980,764 rights shares at a subscription price of HK\$0.82 per rights share on the basis of one rights share for every two existing ordinary shares of the Company held by qualifying shareholders on February 25, 2021 (the “Rights Issue”). The net proceeds from the Rights Issue, after deducting directly attributable costs were HK\$363.3 million. As at December 31, 2022, consistent with the intended use of net proceeds as disclosed in the announcement dated March 23, 2021, the Group has applied (i) HK\$146.7 million towards the settlement of the construction costs and post-completion improvement works of the Park Hyatt Niseko Hanazono Residences and hotel project in Niseko, Hokkaido, Japan with HK\$23.3 million savings due to favorable exchange difference and the savings were allocated towards item (iii) below; (ii) HK\$130 million towards the war chest for funding the working capital requirements of all our businesses in Niseko, Hokkaido, Japan; and (iii) HK\$86.6 million towards the ongoing construction of infrastructure, including utilities, landscaping works, design and planning for the next phase development and the new facilities for the expansion of resort-wide services and activities, in Niseko, Hokkaido, Japan, to further develop our Niseko Hanazono resort as an all-season worldwide attraction.

Income tax

The Group’s income tax for the year ended December 31, 2022 was HK\$54 million, as compared to HK\$42 million in 2021. The increase was mainly due to the increase of withholding tax charged on the intercompany loan interest.

Security on assets

As at December 31, 2022, certain assets of the Group with an aggregated carrying value of HK\$7,713 million were mortgaged and pledged to the bank as security for the loan facility (December 31, 2021: HK\$8,245 million).

Contingent liabilities

There was no contingent liabilities during the year ended 31 December 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2022, the Group employed a total number of 1,188 staff in Hong Kong and overseas (inclusive of property management staff borne by owners’ account and seasonal staff employed overseas) (2021: 1,066 staff). The remuneration policies of the Group are in line with prevailing industry practices. Bonuses are paid on a discretionary basis taking into account factors such as performance of individual employees and the Group’s performance as a whole. The Group provides comprehensive employee benefits, including medical insurance, a choice of provident fund or mandatory provident fund and training programmes. 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 the 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, 2022 (2021: 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, 2022 (2021: 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 May 19, 2023 to May 24, 2023, 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 no later than 4:30 p.m. on May 18, 2023; 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 no later than 4:30 p.m. on March 31, 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2022, 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, 2022 and 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 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, 2022.

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 2022 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

OUTLOOK

Looking ahead to 2023, inflation and recession will be the focal point. While there are signs that inflation may have peaked, the three leading economies in the world, the US, the European Union and China, are all slowing down. Uncertainties surrounding the Russia-Ukraine war and geopolitical tension are likely to persist in the foreseeable future. All these fuel concerns over a looming recession. We anticipate that global markets will experience fluctuations in the year to come.

Nevertheless, global tourism arrivals are expected to increase further in 2023. Meanwhile, China's reopening, together with ebbing inflation and slowing interest rate hikes, is likely to help bring Asia's economic growth back on track. The Group looks forward to seizing new growth opportunities in the region.

In the year to come, we will launch a series of measures to capture market opportunities. These include optimising the occupancy of our various properties by introducing more superior services and amenities. We will also launch cost and revenue optimisation initiatives and optimise our resources in order to boost our business performance.

We remain confident of our ability to navigate challenges in the broader economic environment, and we will stay cautiously optimistic about the property sectors in Hong Kong, Japan, Thailand and Indonesia in the long term.

Last but not least, we will continue to be on the lookout for suitable projects and closely monitor the external environment, with a view to creating value for our shareholders.

By Order of the Board
Pacific Century Premium Developments Limited
Cheung Kwok Kuen Alan
General Counsel and Company Secretary

Hong Kong, February 14, 2023

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

Executive Directors:

Li Tzar Kai, Richard; and Benjamin Lam Yu Yee (Deputy Chairman and Group Managing Director)

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*