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, 2021

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, 2021.

SUMMARY

- Consolidated revenue decreased 75 per cent to approximately HK$467 million
- Consolidated operating loss decreased 23 per cent to approximately HK$358 million
- Loss attributable to equity holders of the Company amounted to approximately HK$825 million
- Basic loss per share: 42.46 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 a stable performance during the year. At the end of December 31, 2021, the office space occupancy was at 80%. The gross rental income amounted to approximately HK$248 million for 2021 compared to approximately HK$240 million in 2020.

Property development in Japan

The Group's revenue from its property development in Japan amounted to approximately HK$42 million for the year ended December 31, 2021 compared to approximately HK$1,364 million in 2020 since revenue from most of the Park Hyatt Niseko Hanazono Residences ("Branded Residences") have been recognised in 2020.

Property development and golf operation in Thailand

In Phang Nga, Thailand, the Group has sold or reserved 40 percent of our phase 1A villas. The handover of completed villas and inspection with owners have progressed well since December last year. The Group's revenue from its property development in Thailand amounted to approximately HK$8 million for the year ended December 31, 2021.

The golf clubhouse and the 18-hole golf course commenced operations in August 2021. Due to the COVID-19 impact on the tourism industry in Thailand, the number of visitors and golf rounds remained low. The Group's revenue from its golf operations in Thailand amounted to approximately HK$2 million for the year ended December 31, 2021.

Property development in Hong Kong

For the project of 3-6 Glenealy, Central, Hong Kong, the demolition work was completed and the construction of foundation is expected to commence in the first quarter of this year.

Hotel operations, recreation and leisure operation in Japan

Hotel operations in Japan

In Hokkaido, Japan, the pandemic with various travel restrictions and social distancing measures continued to be extremely challenging for the hospitality and resort businesses last year. The occupancy rate of Park Hyatt Niseko, Hanazono remained low. Despite the high vaccination rate in Japan, the COVID-19 situation remains unstable due to the emergence of the new Omicron variant.

The Group's revenue from its hotel operations in Japan amounted to approximately HK$74 million for the year ended December 31, 2021 compared to approximately HK$84 million in 2020.

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, and rafting tours and golfing in the summer.

The COVID-19 impact on the tourism industry adversely affected our all-season recreational business in Niseko. The Group's revenue from its all-season recreational activities decreased from HK$88 million for the year ended December 31, 2020 to 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 revenue of approximately HK$30 million for the year ended December 31, 2021 compared to approximately HK$29 million in 2020.

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 approximately HK$26 million for the year ended December 31, 2021 compared to approximately HK$38 million in 2020.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Notes	For the year ended December 31, 2021	2020
Revenue	2	**467**	1,843
Cost of sales		**(160)**	(1,394)
Gross profit		**307**	449
General and administrative expenses		**(652)**	(687)
Other income		**2**	5
Other loss	3	**(15)**	(229)
Operating loss		**(358)**	(462)
Interest income		**7**	9
Finance costs	4	**(432)**	(246)
Loss before taxation	5	**(783)**	(699)
Income tax	6	**(42)**	(50)
Loss attributable to equity holders of the Company		**(825)**	(749)
Other comprehensive (loss)/income:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences:			
Exchange differences on translating foreign operations		**(342)**	72
Total comprehensive loss		**(1,167)**	(677)
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	8	**(42.46) cents**	(47.19) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	Notes	**As at December 31, 2021**	As at December 31, 2020
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	**3,707**	3,699
Property, plant and equipment		**3,067**	3,337
Right-of-use assets		**55**	30
Properties under development		**2,672**	345
Properties held for development	10	**437**	2,712
Goodwill		**4**	5
Financial assets at fair value through profit or loss		**8**	1
Prepayments and other receivables		**242**	265
		10,192	10,394
Current assets			
Properties under development/held for sale		**260**	279
Inventories		**17**	17
Sales proceeds held in stakeholders’ accounts		**504**	504
Restricted cash		**119**	113
Trade receivables, net	11	**34**	27
Prepayments, deposits and other current assets		**457**	448
Amounts due from fellow subsidiaries		**—**	1
Amounts due from related companies		**5**	6
Financial assets at fair value through profit or loss		**—**	2
Short-term deposits		**1,942**	—
Cash and cash equivalents		**1,516**	1,202
		4,854	2,599

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

HK$ million	Note	**As at December 31, 2021**	As at December 31, 2020
Current liabilities			
Short-term borrowings		**2,417**	807
Current portion of long-term borrowings		**10**	11
Trade payables	12	**15**	14
Accruals and other payables		**473**	713
Deferred income and contract liabilities		**78**	90
Lease liabilities		**25**	27
Amount payable to the HKSAR Government under the Cyberport Project Agreement		**334**	330
Current income tax liabilities		**11**	11
		3,363	2,003
Net current assets		**1,491**	596
Total assets less current liabilities		**11,683**	10,990
Non-current liabilities			
Long-term borrowings		**8,880**	7,385
Other payables		**181**	178
Deferred income and contract liabilities		**16**	34
Lease liabilities		**34**	7
Deferred income tax liabilities		**28**	39
		9,139	7,643
Net assets		**2,544**	3,347
CAPITAL AND RESERVES			
Issued equity		**3,802**	3,438
Reserves		**(1,391)**	(224)
Capital and reserves attributable to equity holders of the Company		**2,411**	3,214
Non-controlling interests		**133**	133
		2,544	3,347

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 ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to the years presented, unless otherwise stated.

The consolidated financial statements for the year ended December 31, 2021 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, 2021, the Group incurred a loss attributable to equity holders of the Company of HK$825 million (2020: HK$749 million) and reported a net operating cash outflows of HK$392 million (2020: inflows of HK$646 million).

The directors of the Company have considered the above circumstances and the Group's cash flow projections prepared by management, and have given due and careful consideration to the future liquidity and performance of the Group. The Group regularly monitors its ongoing compliance with financial and other loan covenants as set out in the Group's loan facilities and debt instruments and has obtained waivers of certain financial covenants from the lenders of two bank borrowings. Additionally, the Group has reached final stages of agreement with the lenders of the two aforementioned bank borrowings to revise certain financial covenant terms going forward, thereby increasing the headroom available in the relevant financial covenants. The Group is confident that the signed amendment letters will be obtained in due course, which are only subject to administrative procedures to finalise and sign by the relevant parties.

Having taken into account the Group's history in obtaining external financing and successful revisions to covenants 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, 2022. 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

Standards and amendments effective for the annual period beginning on January 1, 2021 adopted by the Group but have no significant impact on the Group's consolidated financial statement:

HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement
HKFRS 4 (Amendments)	Insurance Contracts
HKFRS 7 (Amendments)	Financial Instruments: Disclosures
HKFRS 9 (2014) (Amendments)	Financial Instruments
HKFRS 16 (Amendments)	Leases

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 and amendments have been issued but are not yet effective for the year ended December 31, 2021 and which the Group has not early adopted:

HKAS 1 (Revised) (Amendments)	Classification of liabilities as Current or Non-current [2]
HKAS 12 (Amendments)	Income Taxes [2]
HKAS 16 (Amendments)	Property, Plant and Equipment [1]
HKAS 28 (2011) (Amendments)	Investments in Associates and Joint Venture [3]
HKAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets [1]
HKFRS 3 (Revised) (Amendments)	Business Combinations [1]
HKFRS 10 (Amendments)	Consolidated Financial Statements [3]
HKFRS 17	Insurance Contracts [2]
Annual Improvements to HKFRS (Amendments)	Annual Improvements 2018-2020 Cycle [1]

Notes:

[1] Effective for annual periods beginning on or after January 1, 2022

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

[3] Effective date to be determined

The Group does not expect the adoption of the above standards that are not yet effective will have a material impact on the Group's future reporting periods and foreseeable future transactions.

2. Revenue and Segment Information

An analysis of revenue and information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resources allocation and assessment of segment performance for the year ended December 31 is set out below:

a. Business segments

	Revenue (note i)						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		Depreciation and amortisation		Impairment loss	
For the year ended December 31,	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
All-season recreational activities in Japan	**37**	88	**—**	—	**37**	88	**(63)**	(18)	**209**	123	**(23)**	(17)	**—**	—
Property investment in Indonesia	**248**	240	**—**	—	**248**	240	**139**	119	**1**	13	**(8)**	(8)	**—**	—
Property development and golf operation in Thailand	**10**	—	**—**	—	**10**	—	**(38)**	(21)	**12**	81	**(11)**	(4)	**—**	—
Property development in Japan	**42**	1,364	**—**	—	**42**	1,364	**(8)**	62	**31**	38	**(7)**	(7)	**—**	—
Hotel operations in Japan	**74**	84	**—**	2	**74**	86	**(244)**	(480)	**3**	9	**(126)**	(144)	**—**	(229)
Property and facilities management in in Hong Kong	**30**	29	**—**	—	**30**	29	**6**	6	**—**	—	**—**	—	**—**	—
Property development in Hong Kong	**—**	—	**—**	—	**—**	—	**(3)**	(17)	**92**	55	**—**	—	**—**	—
Other businesses (note ii)	**26**	38	**2**	2	**28**	40	**(4)**	(2)	**—**	4	**(35)**	(55)	**—**	—
Elimination	**—**	—	**(2)**	(4)	**(2)**	(4)	**—**	—	**—**	—	**—**	—	**—**	—
Total of reported segments	**467**	1,843	**—**	—	**467**	1,843	**(215)**	(351)	**348**	323	**(210)**	(235)	**—**	(229)
Unallocated	**—**	—	**—**	—	**—**	—	**(568)**	(348)	**—**	4	**—**	—	**—**	—
Consolidated	**467**	1,843	**—**	—	**467**	1,843	**(783)**	(699)	**348**	327	**(210)**	(235)	**—**	(229)

2. Revenue and Segment Information – Continued

a. Business segments - Continued

HK$ million	Assets		Liabilities	
As at December 31,	**2021**	2020	**2021**	2020
All-season recreational activities in Japan	**767**	651	**48**	75
Property development in Japan	**736**	1,032	**149**	285
Hotel operations in Japan	**1,941**	2,344	**763**	853
Property investment in Indonesia	**4,425**	4,428	**286**	333
Property development and golf operation in Thailand	**982**	1,048	**66**	65
Property and facilities management in Hong Kong	**26**	22	**2**	3
Property development in Hong Kong	**2,457**	2,342	**818**	809
Other businesses (note ii)	**89**	93	**18**	18
Total of reported segments	**11,423**	11,960	**2,150**	2,441
Unallocated	**3,623**	1,033	**10,352**	7,205
Consolidated	**15,046**	12,993	**12,502**	9,646

(i) For the years ended December 31, 2021 and 2020, the timing of revenue recognition is as follow:

HK$ million	**2021**	2020
External revenue from contracts with customers:		
Timing of revenue recognition		
- At a point in time	**93**	1,416
- Over time	**196**	252
External revenue from other sources:		
- Rental income	**178**	175
	467	1,843

(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.

	Revenue from external customers		**Specified non-current assets**	
HK$ million	**2021**	2020	**2021**	2020
Japan	**177**	1,569	**3,025**	3,240
Hong Kong (place of domicile)	**32**	34	**2,447**	2,328
Thailand	**10**	—	**754**	835
Indonesia	**248**	240	**3,966**	3,991
	467	1,843	**10,192**	10,394

3. Other Loss

For the year ended December 31, 2020, other loss represented the provision for impairment on property, plant and equipment which amounted to HK$229 million.

4. Finance Costs

HK$ million	For the year ended December 31, **2021**	2020
Interest expenses:		
- Bank borrowings	**49**	68
- Guaranteed notes	**366**	279
- Lease liabilities	**1**	1
- Other finance costs	**3**	3
- Loss on redemption of guaranteed notes	**60**	—
- Exchange loss / (gain) on guaranteed notes	**47**	(25)
	526	326
Less:		
- Interest capitalised into properties under development	**(87)**	(62)
- Interest capitalised into property, plant and equipment	**(7)**	(18)
	432	246

Borrowing costs have been capitalised at the weighted average rate of the Group's borrowings at 4.17 per cent per annum in 2021 (2020: 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, **2021**	2020
Cost of properties sold	**44**	1,253
Cost of inventories sold	**7**	6
Depreciation of property, plant and equipment	**175**	188
Depreciation of right-of-use assets		
- properties	**34**	46
- equipment and others	**1**	1
Loss on disposal of properties, plant and equipment	**6**	2
Outgoings in respect of investment properties	**54**	54
Staff costs (note i), included in:		
- cost of sales	**55**	61
- general and administrative expenses	**188**	201
Contributions to defined contribution retirement schemes, included in:		
- cost of sales	**1**	1
- general and administrative expenses	**5**	5
Share-based compensation expenses	**—**	3
Auditor's remuneration		
- audit services	**4**	4
- non-audit services	**1**	1
Net foreign exchange gain	**(2)**	(33)
Variable lease payment expenses	**12**	9
Short-term lease expenses	**2**	2

(i) For the year ended December 31, 2021, the Group received subsidies from governments to aid the economic pressures from COVID-19 to the Group of which HK$9 million (2020: HK$9 million) and HK$1 million (2020: HK$6 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 (2020: 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.

	For the year ended December 31,	
HK$ million	**2021**	2020
Hong Kong profits tax		
- Provision for current year	**1**	1
Income tax outside Hong Kong		
- Provision for current year	**52**	54
Deferred income tax	**(11)**	(5)
	42	50

7. Dividend

	For the year ended December 31,	
HK$ million	**2021**	2020
Final dividend	**—**	—

There was no final dividend paid for 2021 and 2020.

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,	
	2021	2020
Loss (HK$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	**(825)**	(749)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	**1,944,373,942**	1,587,296,022

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. On September 29, 2020, bonus convertible notes in an aggregate amount of HK$592,533,333.20 at the conversion price of HK$0.50 per share were converted into 1,185,066,666 shares of the Company.

As at December 31, 2021, bonus convertible notes in an aggregated amount of HK$592,552,133.20 (2020: HK$592,552,133.20) have been converted into 1,185,104,266 shares of the Company (2020: 1,185,104,266 shares). The outstanding bonus convertible notes in an aggregated amount of HK$20,021.20 (2020: HK$20,021.20) at the conversion price of HK$0.50 per share convertible into 40,042 (2020: 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, 2021 and December 31, 2020, respectively.

9. Investment Properties

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

HK$ million	**2021**	2020
At January 1,	**3,699**	3,762
Additions	**1**	12
Exchange differences	**7**	(75)
At December 31,	**3,707**	3,699

10. Properties Held For Development

Properties held for development represents freehold land in Thailand which the Group intends to hold for future development properties.

As at December 31, 2021, the carrying amount of the freehold land in Thailand of HK$437 million (December 31, 2020: HK$483 million) was recorded as property held for development in the consolidated statement of financial position.

Management performed an assessment on the net realisable value of the property interest together with the costs of improvements spent on the land in Thailand included in properties held for development as at December 31, 2021. The valuation was based on the direct comparison approach which involved the use of estimates and assumptions including the recent sales prices of similar properties with adjustments for any difference in nature, locality and condition of the properties. Changes in the assumptions adopted in the valuation may result in a change in future estimates of the net realisable value of the development project.

During the year ended December 31, 2021, a property in Hong Kong with carrying amount of HK$2,272 million has been transferred from properties held for development to properties under development.

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, 2021**	As at December 31, 2020
1 – 30 days	**33**	23
31 – 90 days	**1**	4
	34	27

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, 2021**	As at December 31, 2020
1 – 30 days	**15**	14

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, 2021, the fair value of the investment properties was HK$3,707 million.

(ii) Cost of sales and amount payable to the HKSAR Government under the Cyberport Project Agreement

Pursuant to the agreement dated May 17, 2000 entered into with the HKSAR Government (“Cyberport Project Agreement”), the HKSAR Government is entitled to receive approximately 65 per cent of the surplus cash flow earned from the Cyberport project. The amounts paid and payable to the HKSAR Government are part of the Group’s costs of developing the Cyberport project.

The estimated cost of developing the Cyberport project, including construction costs and the amounts paid and payable to the HKSAR Government is recognised as cost of properties sold. Had the estimates of the development costs been revised, this would have affected the costs of properties sold recorded in the consolidated statement of comprehensive income.

(iii) Creditability of value added tax

As at December 31, 2021, the Group has value added tax (“VAT”) payment of Indonesian Rupiah (“IDR”) 183,834.4 million (equivalent to HK$100.8 million) arising from the acquisition of a plot of land in Jakarta, Indonesia in October 2013 (“Land VAT”). Such Land VAT has been reported as creditable input VAT pending to compensate future output VAT after the tax assessment in 2014. In year 2018, the Indonesian tax office (“ITO”) has performed a tax re-audit and issued an assessment notice stating that the Land VAT is non-creditable resulting in a tax underpayment of IDR183,834.4 million and a penalty of IDR183,834.4 million. The total of tax and penalty of IDR367,668.8 million (approximately HK$201.6 million) has been paid in advance in August 2018. The Group has filed an objection against the tax assessment in August 2018 and the ITO issued a decision letter to reject the Group’s objection in July 2019. After consideration of professional advice, the Group maintains of the view that the ITO has no basis to issue the 2018 Assessment and the Group lodged an appeal to the tax court in September 2019. The Group had attended the tax court hearings since June 2020 and the verdict was announced on December 21, 2021 in favour of the Group. The case will be considered closed if the ITO does not apply for review by the supreme court within a period of no later than three months after the decision was sent by the tax court. The amounts of tax and penalty demanded in the assessment were paid in advance in August 2018 and included in “Prepayments, deposits and other current assets” in the consolidated statement of financial position as at December 31, 2021. No provision of impairment was recognised for the VAT balance as at December 31, 2021. By the date of this announcement, the amount paid for tax underpayment of IDR183,834.4 million (approximately HK$100.8 million) and a penalty of IDR183,834.4 million (approximately HK$100.8 million) have been refunded to the Group.

13. Critical Accounting Estimates and Judgements - Continued

(iv) Deferred income tax

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Group considers future taxable income and ongoing prudent and appropriate tax planning strategies. In the event that the Group's estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits of net operating loss carry-forwards in the future, adjustments to the recorded amount of net deferred income tax assets and income tax would be made. As at December 31, 2021, no deferred income tax assets were netted off against the deferred income tax liabilities recognised in the consolidated statement of financial position.

(v) Impairment of 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.

For the year ended December 31, 2020, provision for impairment of HK$229 million was recognised on the property, plant and equipment of the hotel operations in Japan segment. No provision for impairment is recognised for the year ended December 31, 2021.

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately HK$467 million for the year ended December 31, 2021, representing a decrease of 75 per cent from approximately HK$1,843 million in 2020. The decrease was mainly due to the handover of the majority of Branded Residences units in early 2020.

The consolidated gross profit of the Group for the year ended December 31, 2021 was approximately HK$307 million, representing a decrease of 32 per cent from approximately HK$449 million in 2020. For the year ended December 31, 2021, the gross profit margin was 66 per cent compared to 24 per cent in 2020.

The general and administrative expenses were approximately HK$652 million for the year ended December 31, 2021, representing a decrease of 5 per cent from approximately HK$687 million in 2020. The decrease was mainly due to decreases in staff cost, legal and professional fees spent on property development in Japan, and marketing expenses of hotel operations.

The consolidated operating loss for the year ended December 31, 2021 decreased to approximately HK$358 million compared to approximately HK$462 million in 2020. Such decrease in loss was mainly due to the one-off non-cash impairment loss on Park Hyatt Niseko, Hanazono of HK$229 million recognised in 2020 offset with the higher profit generated from the handover of the Branded Residences units in 2020.

The Group recorded higher finance costs of approximately HK$432 million for the year ended December 31, 2021 compared to approximately HK$246 million for 2020. The increase was mainly due to the one-off loss arising from the partial redemption of the 4.75% guaranteed notes due 2022 (“Notes”) in June 2021 and the additional finance cost from the new US$800 million 5.125% guaranteed notes due 2026 (“New Notes”).

The consolidated net loss after taxation was approximately HK$825 million for the year ended December 31, 2021 compared to approximately HK$749 million in 2020. Basic loss per share during the year under review was 42.46 Hong Kong cents compared to basic loss per share of 47.19 Hong Kong cents in 2020.

Current assets and liabilities

As at December 31, 2021, the Group held current assets of approximately HK$4,854 million (December 31, 2020: HK$2,599 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 increase in current assets is mainly attributable to the increase in cash and short term deposits of HK$2,256 million mainly arising from the net proceeds of the issuance of the New Notes offset by the cash paid for the partial redemption of the Notes in June 2021. Sales proceeds held in stakeholders’ accounts amounted to approximately HK$504 million as at December 31, 2021 (December 31, 2020: HK$504 million). The level of restricted cash increased to approximately HK$119 million as at December 31, 2021 (December 31, 2020: HK$113 million).

As at December 31, 2021, the Group’s total current liabilities amounted to approximately HK$3,363 million, as compared to approximately HK$2,003 million as at December 31, 2020. The increase was mainly due to the reclassification of the remaining Notes from non-current liabilities. As at December 31, 2021, the current ratio was 1.44 (December 31, 2020: 1.30).

Capital structure, liquidity and financial resources

As at December 31, 2021, the Group's borrowings amounted to approximately HK$11,307 million (December 31, 2020: HK$8,203 million). The balance as at December 31, 2021 represented the amortised cost of financial liabilities in respect of the guaranteed notes of US$1,107 million issued (equivalent to approximately HK$8,633 million), the total outstanding principal amount of Japanese Yen ("JPY") 11,105 million (equivalent to approximately HK$754 million) under all JPY loan facilities, together with the principal amount of HK$1,997 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, and accepted for purchase and cancelled approximately US$384 million in aggregate principal amount of the Notes which resulted in a redemption loss of HK$60 million. In October 2021 and December 2021, the Company repurchased and cancelled US$9 million of the Notes. As at December 31, 2021, approximately US$307 million in aggregate principal amount of the Notes remained outstanding.

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, 2021, none of the covenants were breached. The carrying value of the borrowing as at December 31, 2021 represents the outstanding principal amount of JPY750 million (equivalent to HK$51 million) (December 31, 2020: JPY1,200 million) offset by the deferred arrangement costs of JPY22 million (equivalent to HK$2 million) (December 31, 2020: JPY29 million).

On March 19, 2018, an indirect non-wholly owned subsidiary of the Company entered into a loan agreement which the lender had agreed to make available a loan facility up to an aggregate amount of HK$808 million. On March 20, 2020, the loan was extended with a maturity date in March 2021 ("HK$ Loan 2021"). In April 2021, the HK$ Loan 2021 was fully repaid and a new project development loan facility was entered by an indirect wholly-owned subsidiary of the Company which the lenders agreed to make available 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, 2021, waiver of certain covenants was obtained from lenders and none of the covenants were breached. Revision of certain financial covenants to be effective from 1 January 2022 is in the final stage of agreement with the lenders. The carrying value of the HK$ Loan 2026 represents the outstanding principal amount of HK$827 million offset by the deferred arrangement costs of HK$13 million as at December 31, 2021.

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, 2021, 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$679 million) (December 31, 2020: JPY10,000 million) offset by the deferred loan arrangement costs of JPY70 million (equivalent to HK$5 million) (December 31, 2020: JPY124 million).

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$1,170 million ("HK$ Loan 2024"). The maturity date of the HK$ Loan 2024 is in June 2024. Such facility is secured by the land and buildings, bank accounts, shares and other assets of certain indirect wholly-owned subsidiaries of the Company. The Company and the indirect wholly-owned subsidiary are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at December 31, 2021, waiver of certain covenants was obtained from lender and none of the covenants were breached. Revision of certain financial covenants to be effective from 1 January 2022 is in the final stage of agreement with the lender. The carrying value of the borrowing represents the outstanding principal amount of HK$1,170 million (December 31, 2020: HK$1,170 million) offset by the deferred loan arrangement costs of HK$8 million as at December 31, 2021 (December 31, 2020: HK$11 million).

As at December 31, 2021, the net debt-to-equity ratio was 311.6 per cent (as at December 31, 2020: 210.4 per cent). The net debt is calculated from the aggregated principal amounts of borrowings of HK$11,384 million less the aggregate of cash and cash equivalents and short term deposits of HK$3,458 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, 2021, the assets of the Group in Indonesia, Thailand and Japan represented approximately 29 per cent, 7 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 used in operating activities for the year ended December 31, 2021 was approximately HK$392 million compared to cash generated from operating activities of approximately HK$646 million in 2020. The change in operating cash flow was mainly due to the receipt of proceeds from the sale of properties during 2020 when most of the Branded Residences were handed over in 2020.

Equity fund raising activity during the year

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 approximately HK$363.3 million. As at December 31, 2021, consistent with the intended use of net proceeds as disclosed in the announcement dated March 23, 2021, the Group has applied (i) approximately HK$25.4 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; (ii) approximately HK$64.4 million towards the war chest for funding the working capital requirements of all our businesses in Niseko, Hokkaido, Japan; and (iii) approximately HK$63.3 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. The remaining balance of unutilised net proceeds of approximately HK$210.2 million as at December 31, 2021 is expected to be applied towards (i) the settlement of the remaining construction costs and costs incurred for post-completion improvement works of the Park Hyatt Niseko Hanazono Residences and hotel project in Niseko, Hokkaido, Japan; and (ii) the remainder will be reserved as a war chest for funding the working capital requirements of all our businesses in Niseko, Hokkaido, Japan in 2022.

Income tax

The Group's income tax for the year ended December 31, 2021 was approximately HK$42 million, as compared to approximately HK$50 million in 2020. The decrease was mainly due to the one-off withholding tax provision made in 2020 for the profits generated from sales of properties in Japan in 2020.

Security on assets

As at December 31, 2021, certain assets of the Group with an aggregated carrying value of approximately HK$8,245 million were mortgaged and pledged to the bank as security for the loan facility (December 31, 2020: HK$8,336 million).

Contingent liabilities

During the year ended December 31, 2018, the Company's indirect wholly-owned subsidiary (the "Taxpayer") in Indonesia received a tax assessment notice ("2018 Assessment") from the ITO in relation to the creditability of VAT arising from the acquisition of a plot of land in Jakarta, Indonesia in October 2013 ("Land VAT") which amounted to IDR183,834.4 million (approximately HK$100.8 million).

Such Land VAT had been reported as a creditable input VAT in the monthly VAT report for the period of October 2013 to compensate future output VAT after the tax assessment issued in 2014. However, after a tax re-audit which was performed by the ITO during 2017, the ITO issued an assessment notice stating that the Land VAT is non-creditable resulting in a tax underpayment of IDR183,834.4 million (approximately HK$100.8 million) and a penalty of IDR183,834.4 million (approximately HK$100.8 million). According to the tax assessment notice, the Taxpayer is required to pay the underpaid tax and penalty totalling IDR367,668.8 million (approximately HK$201.6 million). The Group filed an objection against the tax assessment in August 2018 and the ITO issued a decision letter to reject the Group's objection in July 2019. After consideration of professional advice, the Group maintained the view that the ITO had no basis to issue the 2018 Assessment and the Group lodged an appeal to the tax court in September 2019. The Group had attended the tax court hearings since June 2020 and the verdict was announced on December 21, 2021 in favour of the Group. The case will be considered closed if the ITO does not apply for review by supreme court within a period of no later than three months after the decision was sent by the tax court. The amounts of tax and penalty demanded in the assessment were paid in advance in August 2018 and included in "Prepayments, deposits and other current assets" in the consolidated statement of financial position as at December 31, 2021. No provision of impairment was recognised for the VAT balance as at December 31, 2021. By the date of this announcement, the amount paid for tax underpayment of IDR183,834.4 million (approximately HK$100.8 million) and a penalty of IDR183,834.4 million (approximately HK$100.8 million) have been refunded to the Group. Such refund has no effect to the consolidated statement of comprehensive income in the financial year which the refund was received.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2021, the Group employed a total number of 1,066 staff in Hong Kong and overseas (inclusive of property management staff borne by owners' account and seasonal staff employed overseas) (2020: 986 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, 2021 (2020: 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, 2021 (2020: 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 4, 2022 to May 11, 2022, 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 3, 2022; 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 16, 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2021, 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, 2021 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, 2021.

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 2021 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

OUTLOOK

2021 was another challenging year as the world continued its fight against COVID-19 pandemic. Despite significant global efforts to administer vaccination programmes worldwide, the emergence of the Omicron variant has derailed global efforts in returning to normality, leading to social restrictions and lockdown measures implemented again in some countries. At the same time, inflation rose significantly around the world in 2021 and the monetary policy is expected to be tightened in 2022 for the US and other developed countries in order to combat rising inflation.

Whilst the Group's business is undoubtedly subject to these challenges in 2022, we are optimistic about the post-COVID-19 opportunities and remain confident in the real estate market in Hong Kong, Japan, Indonesia and Thailand. Various planning works are underway for future developments of our Japan and Thailand projects. The foundation work will commence in the first quarter of 2022 for our residential project in Hong Kong. The Group will continue to manage its resources and businesses with caution and prudence having regard to the challenges in 2022 while developing plans and strategies so as to capture the post-pandemic opportunities.

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

Hong Kong, February 21, 2022

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*