ANNUAL REPORTS AND RELATED DOCUMENTS::

Issuer & Securities

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PACIFIC CENTURY REGIONAL DEVELOPMENTS LIMITED

Securities

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Company Secretary

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Please refer to the attached Annual Report 2018 and Letter to Shareholders dated 18 March 2019.

Additional Details

Period Ended

31/12/2018

Attachments

PCRDL%20Annual%20Report%202018.pdf

PCRDL%20Letter%20to%20Shareholders.pdf

Total size =3659K MB

Pacific Century Regional Developments Limited

Annual Report 2018

Contents

Corporate Profile

Pacific Century Regional Developments Limited (PCRD), a Singapore-based company listed on the Singapore Exchange Securities Trading Limited (SES: P15), has interests in telecommunications, media, IT solutions, logistics and property development and investment, in the Asia-Pacific region. PCRD's most significant investment is its stake in Hong Kong-listed PCCW Limited (PCCW) (SEHK: 0008; American Depositary Receipts on the OTC Markets Group Inc. in the US: PCCWY). PCRD is 89% owned by the Pacific Century Group, which was founded in 1993. The Pacific Century Group acquired control of PCRD in September 1994.

Message from the Executive Chairman

It is my pleasure to present PCRD's annual report for the financial year ended 31 December 2018.

The core businesses of PCRD's most significant asset, PCCW Limited ("PCCW"), reported solid operational results for the year ended 31 December 2018.

PCCW's media business last year continued to strengthen its leadership position by offering premium local, regional and international entertainment and sports content across multiple platforms. PCCW Media has secured exclusive pay-TV, free TV and OTT (over-the-top) broadcast rights in Hong Kong for the Premier League up to 2021/22. PCCW's pan-regional OTT video streaming service Viu, which offers popular Asian content and Viu Original programs, nearly doubled its monthly active users to 30 million from a year ago in 16 markets in Southeast Asia, the Middle East and India.

Last year, PCCW's enterprise IT solutions business and Hong Kong's number one IT service provider, PCCW Solutions, further expanded its Pan Asian presence with the aim to become a leading enabler of enterprise digital transformation in the region. To meet growing customer demand, PCCW is expanding its data center capability in Hong Kong with a new world-class facility which will come into service later this year.

HKT recorded another year of stable performance across its core business lines. Both the fixed broadband and mobile businesses held steady amid intense competition. Offering a range of smart living and smart business services and products, HKT has been playing an active role in facilitating the development of Hong Kong into a smart city.

The overseas projects of Pacific Century Premium Developments continued to make good progress. Its premium office building in Indonesia, Pacific Century Place, Jakarta became fully operational in 2018. In Japan, construction of a new ski center at Niseko, Hokkaido is continuing according to plan.

In 2019, the global economic outlook is less than certain, not least due to trade tensions between China and the US. Nevertheless, we are confident that PCCW will be able to chart a course of continued growth based upon the firm foundation of its resilient and diversified business operations.

The performance of PCRD's logistics investment in KSH Distriparks in India has continued to improve. KSH Distriparks remained profitable with increased activity for its inland container depot and transport businesses with increased triangulation volumes.

In the light of prevailing global uncertainties and on the back of PCRD's commendable performance over recent years, your Board proposes a special dividend of 6.3 cents per share in addition to a final dividend of 2.4 cents per share. Your Board will continue to evaluate new investment and business opportunities for the Company.

Sustainability has always been a key consideration in strategy formulation for the Company and, as a responsible investment holding company, your Board of Directors will continue to take into consideration ESG factors when seeking new business opportunities.

May I take this opportunity to thank our shareholders and business partners for their continued support and trust in the Company. I would also like to express my appreciation to our management and employees for their dedication and hard work. To my fellow directors, thank you for your valuable guidance and wise counsel. Lastly, I like to put on record my special thanks to Mr. Alexander Arena, who retired in August 2018, for his invaluable service to the Company.

Richard Li
Chairman

Corporate Structure

Pacific Century Regional Developments Limited

Communications Services

Hong Kong
China
North Asia
South Asia
Southeast Asia
Global

PCCW Limited
(associated corporation & major investment)

Media Business
Now TV

Solutions Business
PCCW Solutions

HKT Limited
(subsidiary corporation of PCCW Limited)

Telecommunications Services
Local Telephony Services
Local Data Services
International Telecommunications Services
Other Services
Customer Premises Equipment
Teleservices

Mobile

Property and Logistics

Hong Kong
North Asia
South Asia
Southeast Asia

Pacific Century Premium Developments Limited
(subsidiary corporation of PCCW Limited)

Cyberport, Hong Kong

Hanazono Resort, Japan

Phang Nga Resort, Thailand

Sudirman CBD Office Building, Jakarta

KSH Distriparks, India
(associated corporation)

Logistics and Warehousing
Inland Container Depot
Warehousing
Logistics

Board of Directors

RICHARD LI TZAR KAI was appointed as Chairman of PCRD in 1994 and was last re-elected as a Director in 2017. An Executive Director and Chairman of the Executive Committee of PCRD, Mr. Li is also Chairman and Chief Executive of the Pacific Century Group, Chairman and Executive Director of PCCW Limited, Executive Chairman and Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust and Chairman and an Executive Director of Pacific Century Premium Developments Limited.

Mr. Li is a member of the Center for Strategic and International Studies' International Councillors' Group in Washington, D.C., and a member of the Global Information Infrastructure Commission. Mr. Li was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

FRANCIS YUEN TIN FAN was appointed as Deputy Chairman of PCRD in 2005 and was last re-elected as a Director in 2017. Mr. Yuen was the Chairman of PCRD in 1993 and 1994 when it was known as Seapower Asia Investments Limited and Deputy Chairman of PCRD from 1997 to 2002. He was a member of the Executive Committee of PCRD until July 2011. Re-designated as Independent Non- Executive Deputy Chairman on 12 February 2015. Mr. Yuen is Chairman of the Remuneration Committee and also a member of the Audit Committee of PCRD.

He joined the Pacific Century Group in 1996 after an extensive career in investment banking and financial regulatory affairs across Asia. From 1988 to 1991, he was Chief Executive of The Stock Exchange of Hong Kong Limited. Mr. Yuen was also a founding director of Hong Kong Securities Clearing Company Limited. He served from 1992 to 1994 as a member of the International Markets Advisory Board of NASDAQ in the United States. He is an Independent Non-Executive Director of Agricultural Bank of China Limited, Shanghai Industrial Holdings Limited and Yixin Group Limited.

Mr. Yuen received a Bachelor of Arts degree in Economics from the University of Chicago and is currently a member of the Board of Trustees of the university. He is also the chairman of the board of trustees of the Hong Kong Centre for Economic Research, Chairman of the Advisory Board of Ortus Capital Management Limited and a member of the board of trustees of Fudan University in Shanghai.

PETER A. ALLEN was appointed as Executive Director in 1997 and as Group Managing Director in 2006. He was last re-elected as a Director in 2018. A member of the Executive Committee of PCRD, Mr. Allen is also Executive Director and Chief Financial Officer of the Pacific Century Group, Non-Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust, Director of FWD Limited and FWD Group Limited and Senior Advisor to PCCW Limited.

Mr. Allen joined KPMG in 1976 before taking up an appointment at Occidental International Oil Incorporated in 1980. In 1983, he joined Schlumberger Limited and worked in various countries holding key management positions. In 1989, Mr. Allen moved to Singapore as Regional Financial Director of the Vestey Group. He later joined Boustead Singapore Limited as Group Operations Controller in 1992 and Morgan Grenfell Investment Management (Asia) Limited as Director and Chief Operating Officer in 1995. Mr. Allen joined the Pacific Century Group in 1997.

Mr. Allen was educated in England and graduated from the University of Sussex with a degree in economics. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow Member of CPA Australia, a Fellow Member of the Hong Kong Institute of Directors and a Fellow of the Institute of Singapore Chartered Accountants.

FRANCES WONG WAIKWUN was appointed as a Director in June 2013 and was last re-elected as a Director in 2016. An Independent Director and Chairman of the Nominating Committee, Ms. Wong is also a member of the Audit Committee of PCRD. Ms. Wong is also an Independent Non-Executive Director of PCCW Limited, HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust.

Ms. Wong is currently a financial advisor of Good Harbour Finance Limited. She began her career as a management consultant at McKinsey & Company in the United States. Ms. Wong returned to Hong Kong and joined the Hutchison Whampoa group of companies in 1988, taking on various positions. She was managing director of Weatherite Manufacturing Limited, an air conditioning manufacturer. Later, Ms. Wong became chief executive officer of Metro Broadcast Corporation Limited. Eventually, she became chief financial officer of Star TV, Asia's first satellite television company. After leaving the Hutchison Whampoa Group, she became group chief financial officer for the Pacific Century Group. After she resigned from the Pacific Century Group, she founded the Independent Schools Foundation in Hong Kong in 2000.

Ms. Wong was educated in the United States at Stanford University where she received a Bachelor of Science degree. She holds a Master of Science degree from the Massachusetts Institute of Technology. Ms. Wong was a member of the Central Policy Unit, the Government of the Hong Kong Special Administrative Region (think tank). She has served on many educational boards including the Canadian International School of Hong Kong, The Open University of Hong Kong and was a member of the Joint Committee on Student Finance of Student Financial Assistance Agency.

Board of Directors

TOM YEE LAT SHING was appointed as a Director in 1991 and was last re-appointed as a Director in 2018. Mr. Yee is Lead Independent Director and Chairman of the Audit Committee and member of the Remuneration Committee of PCRD. Mr. Yee stepped down from the Nominating Committee of PCRD in August 2018.

Mr. Yee is a Singapore Chartered Accountant and was a partner of an international public accounting firm from 1974 to 1989. He has more than 35 years of experience in the field of accounting and auditing and extensive experience in handling major audit assignments of public listed and private companies in various industries, including insurance, manufacturing and retailing. Currently a consultant, Mr. Yee also sits on the boards of the following listed companies: Bonvests Holdings Limited and Powermatic Data Systems Limited.

He is a fellow member of Singapore Institute of Directors.

LAURA DEAL LACEY was appointed as a Director in February 2015 and re-elected to the position in 2017. An Independent Director, Ms. Lacey is a member of the Nominating and Remuneration Committees of PCRD.

Ms. Lacey is the managing director of the Milken Institute Asia. The Milken Institute is a not-for-profit think tank headquartered in Santa Monica, California. Ms. Lacey was the institute's first employee in Asia and, in five years, has developed its center and programs throughout the Asia-Pacific region. The Milken Institute Asia promotes the growth of inclusive and sustainable financial markets in Asia by addressing the region's defining forces, developing collaborative solutions and identifying strategic opportunities for the deployment of public, private and philanthropic capital.

Prior to joining the Institute, Ms. Lacey was the executive director of the American Chamber of Commerce in Singapore, the largest American chamber in Southeast Asia. Acting as the face of the organisation, Ms. Lacey represented the interest of U.S. companies in Singapore and helped advance policy and business issues that American companies face in Southeast Asia.

Before moving to Asia, Ms. Lacey was based in New York. She was the global marketing director for Edelman, where she worked out of the CEO's office to promote the agency, its leadership and intellectual capital. She also worked as a vice president for Edelman's corporate social responsibility and sustainability practice. Ms. Lacey started her career in Europe working for six years at the World Economic Forum (WEF) in Geneva, Switzerland. She held several roles including senior partnership manager, head of corporate affairs and co-founder of WEF's Women Leaders Programme.

Ms. Lacey is a Trustee of the Asian University for Women (AUW) and supports its efforts to build a university that transforms the status of women in the region. Ms. Lacey holds a Bachelor of Science in Business from Arizona State University and a Master of Science in Strategic Communications from Columbia University.

W. MICHAEL VERGE was appointed as a Non-Executive Director in August 2017 and was last re-elected as a Director in 2018.

Mr. Verge is a Non-Executive Director of PineBridge Investments' Board and a Consultant at Pacific Century Group Holdings. He was Chief Financial Officer at PineBridge from 2010 to 2014. Mr. Verge joined the Pacific Century Group in 1999 as CFO of the Cyberport project. Prior to joining the Pacific Century Group, he held senior executive positions with two major international banks and was CFO of a large pulp and paper company in South-East Asia. During his time with the Pacific Century Group, Mr. Verge served as Group Treasurer of PCCW Limited, and was a member of the PCCW Finance and Management Committee. He also served on the Executive Committee of Pacific Century Premium Developments Limited.

Mr. Verge was educated at McMaster University where he received a Bachelor's Degree in Economics. He is a member of the Singapore Institute of Directors and Singapore Institute of International Affairs. He is a past member of the Canadian Chamber of Commerce (Hong Kong), a past Chairman of the Canadian International School of Hong Kong and a Fellow of the Hong Kong Institute of Directors.

CHRISTOPHER JOHN FOSSICK was appointed as a Non-Executive Director in August 2018. Mr. Fossick is a member of the Audit Committee and Nominating Committee of PCRD.

Mr. Fossick is currently Managing Director, Singapore and South East Asia at Jones Lang LaSalle Asia Pacific. He is also a member of the Asia Pacific Executive Board of JLL.

He began his career in 1985 in London while an undergraduate at Barclays Bank, where he spent a year on a team responsible for the property management of the bank's real estate portfolio. He moved to Singapore in 1989 to continue on the real estate path. Following this, he moved to Tokyo for a role as President and CEO of CBRE Japan.

He was a board member of Sentosa Development Corporation in Singapore from 2009 to 2015 and the Global Vice President of the Royal Institution of Chartered Surveyors from 2011 to 2014. Currently he is a member of the Global Remuneration Committee for the RICS.

Mr. Fossick was educated at University of Glamorgan, UK where he received a Bachelor of Science in Estate Management. He holds a Master of Business Administration from the University of Chicago in 2003. He is a Fellow of the RICS.

Business Review

PCRD'S most significant asset is its 22.7% stake in Hong Kong-listed PCCW Limited (PCCW). PCRD has been the largest shareholder of PCCW since 1999.

The following is an overview of PCCW's and PCRD's various business activities:

UNPARALLELED MEDIA CONTENT OFFERING

PCCW's local media business mainly comprises Hong Kong's largest pay-TV, NowTV, its OTT extension Now E, and free TV under the brand ViuTV. Regionally, Viu is a leading OTT entertainment platform with a growing audience. Each of these services offers unique content and programming that captivate target viewers, while together they create synergies and additional value for PCCW.

Last summer, PCCW Media was the exclusive broadcaster in Hong Kong of the 2018 FIFA World Cup. Live broadcast of the exciting matches on Now TV, ViuTV and Now E provided its viewers with an engaging experience.

In PCCW's continuing effort to reinforce its position as Hong Kong's home of sports, PCCW Media has recently secured the Hong Kong pay-TV, OTT and free TV broadcast rights of the Premier League from 2019/20 to 2021/22. This complements its rights to broadcast the UEFA Champions League and the UEFA Europa League until 2020/21 and the Spanish LaLiga until 2022/23. Together with other content, Now TV customers can enjoy more than 1,600 of the world's top football matches in a season, complete with expert analysis and Cantonese commentary. For the next season of Premier League, select matches will be shown live in 4K resolution for the first time for users of the Now One set-top box.

As viewing habits evolve, especially among the younger audience enjoying a millennial lifestyle, the one-stop Now E OTT platform was launched in Hong Kong last May, offering international and Asian dramas, movies, and sporting events such as the World Cup. Now E's content portfolio is continuously expanding and users can access via their smartphone, tablet, or Android TV box on a pay-per-view or subscription basis.

Significant Events in 2018

JANUARY

Pacific Century Premium Developments announces redevelopment of Nos. 3-6 Glenealy, Central, with CSI Properties.

FEBRUARY

Viu strengthens its Korean content offering with JTBC partnership.

Business Review

LEADING PAN-REGIONAL OTT SERVICE

Viu OTT has reached 28 markets following its launch in Myanmar last September. In the 16 markets where PCCW offers a premium service, its active engagement with viewers has resulted in the continuous growth of monthly active users to 30 million at the end of 2018, an 89% jump from a year ago. Last year, its viewers consumed 37.5 billion video minutes, a 117% increase from 2017.

In 2018, Viu produced 900 episodes of Viu Original programming in local languages, which was three times the volume of a year ago and represented the largest volume of premium original Asian content produced by an OTT player during the year. Viu Originals out of Indonesia and Malaysia won several Asian creative awards last October.

In addition to Viu Original programming, Viu signed up more content agreements with providers in different markets, such as Thailand and Korea, to boost its appeal to local online audiences. Content genres include dramas, variety shows, quiz, and reality shows.

CREATIVE FREE TV SERVICE

PCCW's free television service, ViuTV, expanded its viewership last year with the broadcast of key matches from the World Cup including the final. Riding on this success, it rolled out a talent scouting show at its prime time hours in the second half of the year which also generated positive audience feedback. The winners and participants in the show have subsequently formed two singing and entertainment performance groups managed under ViuTV.

ViuTV is renowned for its creativity in TV drama series production. As a commercial extension, a popular ViuTV drama has been made into an on-stage drama production. In view of audience interest in locally produced TV dramas, ViuTV also plans to produce more than 300 hours of dramas in 2019, three times that of 2018.

To enhance its production capabilities, ViuTV has recently relocated and enlarged its studios. Two new, well-equipped studios in Kowloon Bay totalling 7,000 sq. ft. can more flexibly accommodate various production formats.

MARCH

PCCW Solutions expands its D-Infinitum data centre services in Asia with Japan's SCSK Corp.

APRIL

Viu signs a content deal with GMM Channel to provide premium content for Viu audience in Thailand.

MAY

PCCW Media launches Now E one-stop entertainment OTT platform.

PCCW Solutions launches Infinitum™ Visum to empower connected digital lifestyles and enhance customer experience.

Business Review

LEADING DIGITAL TRANSFORMATION ENABLER

PCCW Solutions aims to drive sustainable growth through accelerating enterprise digital transformation with expansion of its intellectual property as well as wider territory coverage. Its Infinitum solutions suite is a catalogue of innovations using Artificial Intelligence, advanced analytics, Internet of Things, digital and cloud technologies to meet the evolving needs in sectors such as finance and insurance, travel and transport, retail and manufacturing, property, and telecommunications. In September, to capture opportunities arising from increased ecommerce activities, PCCW Solutions opened a fully-automated intelligent unmanned showcase ecommerce platform, HABBITZZ+, to demonstrate its ability to offer innovative solutions to create a rich online to offline experience for enterprises and their customers.

Already the number one IT service provider in Hong Kong and a major player in the Mainland, PCCW Solutions seeks to replicate its success outside of Hong Kong with a view to becoming a leading digital transformation partner of enterprises and public sector organisations in the Pan Asian region. PCCW plans to continue to expand its footprint in Singapore on the back of the win of a major contract from a government department here to enhance its digital services in the fourth quarter, and a project to design and build a software-defined network and end-to-end IT system for a telecom company earlier last year.

PCCW continues to expand its data centre capacity in Hong Kong and internationally. A new world-class data centre in the New Territories, which will be in service in the second half of 2019, has generated a strong pipeline with more customer commitment expected in the coming months. Meanwhile, the D-Infinitum global data centre alliance operates in 130 locations in 80 cities around the world.

HKT

HKT continues to contribute significantly to the PCCW Group, delivering another year of steady performance and growth in adjusted funds flow despite facing intense competition in both the fixed broadband and mobile communications markets.

As Hong Kong's largest telecommunications service operator and an innovation leader, HKT actively contributes to the development of Hong Kong into a smart city. It has partnered with renowned institutions in Hong Kong to research smart city applications and offers individual and business customers smart products and solutions to meet their needs and aspirations.

JUNE

Now TV and ViuTV exclusively broadcast 2018 FIFA World Cup.

HKT successfully conducts trials for the commercial deployment of 5G mobile technology.

JULY

PCCW Media and beIN SPORTS secure the exclusive broadcast right of LaLiga in Hong Kong for 2018/19 to 2022/23 seasons.

SEPTEMBER

PCCW Solutions opens intelligent unmanned showcase HABBITZZ+ to demonstrate a seamless online to offline experience.

Viu expands its service footprint to Myanmar.

Now TV secures the broadcast rights of UEFA Champions League and UEFA Europa League from 2018/19 to 2020/21 seasons in collaboration with beIN SPORTS.

The Club is HKT's loyalty program offering numerous privileges and benefits to more than 2.7 million members. Not only does it help retain customers, but it also provides HKT with insights to personalise offerings to its members. On this platform, HKT intends to build different verticals including travel, insurance and virtual banking.

PACIFIC CENTURY PREMIUM DEVELOPMENTS (PCPD)

Pacific Century Place, Jakarta, PCPD's premium office development in Indonesia, started operation in 2018. About 83% of the office space was reserved or committed by the year-end. An international standard, fully-equipped gymnasium and food court were opened during the latter half of the year.

In Japan, PCPD remains on course for completion of the Park Hyatt Hotel and Branded Residences at Niseko, Hokkaido in late 2019. Approximately 85% of the 114 residential units offered have been sold and PCPD intends to launch further units in Asia over the coming year. PCPD announced last November the construction of a new ski centre in Niseko to house restaurant facilities and meet other operational needs. In Thailand, the first phase of a project in Phang-nga has entered into the design stage.

PCPD will continue to explore investment opportunities around the world to maximise shareholders' return.

KSH DISTRIPARKS

KSH, in which PCRD has a 49.9% stake, is an Indian logistics company with an inland container depot (ICD) in Pune, India. It provides ICD (including bonding) infrastructure, transportation, warehousing and national third party logistics services to blue chip international industrial clients.

KSH reported improved performance and profitability in 2018 with increased revenue from a pickup in the triangulation business and increased leasable area from the completion of the development of its Chakan facility.

Following a demerger approved by the High Court of Bombay in 2018, the warehousing business was transferred to KSH Infra. The ICD and third party logistics businesses remain under KSH. PCRD's stake in KSH Infra was sold in January 2019 for $18.5 million.

OCTOBER

ViuTV's talent show Good Night Show – King Maker concludes with a finale featuring the top 10 finalists.

NOVEMBER

Pacific Century Premium Developments announces a new ski centre project in Hokkaido, Japan.

HKT and The Hong Kong Applied Science and Technology Research Institute form a partnership in pursuit of Smart City solutions for Hong Kong.

DECEMBER

Viu signs an agreement with Thai content provider Workpoint to strengthen its local content.

Now TV is appointed as the official host broadcaster of Standard Chartered Hong Kong Marathon 2019.

Financial Highlights

Condensed Consolidated Income Statement Information

For the year ended 31 December

	Group	
	2018	2017
	$'000	$'000
Revenue	**15,620**	14,658
Profit from operating activities after finance costs	**7,003**	7,275
Share of profit of associated corporations	**36,496**	82,473
Loss on liquidation of subsidiary corporations	**(473)**	(10)
Profit before income tax	**43,026**	89,738
Income tax credit/(expense)	**6,930**	(2,513)
Attributable to equity holders of the Company	**49,956**	87,225
Per Share Data		
Earnings per share (Singapore cents)	**1.89**	3.29
Cash Distribution		
Final dividend (Singapore cents)	**2.40***	2.20
Special dividend (Singapore cents)	**6.30***	–
	8.70	2.20

* Subject to the approval of shareholders at the 2018 Annual General Meeting

Financial Highlights

Condensed Consolidated Balance Sheet Information
As at 31 December

	Group	
	2018	2017
	$'000	$'000
Current assets	**29,032**	61,682
Non-current assets	**1,395,310**	1,346,347
Total assets	**1,424,342**	1,408,029
Current liabilities	**(16,121)**	(12,799)
Non-current liabilities	**(2,887)**	(9,791)
Total liabilities	**(19,008)**	(22,590)
Net assets	**1,405,334**	1,385,439
Represented by:		
Share capital	**457,283**	457,283
Other reserves	**243,812**	215,061
Retained profits	**704,239**	713,095
Net assets	**1,405,334**	1,385,439
Attributable to equity holders of the Company		
Net assets	**1,405,334**	1,385,439
Per Share Data		
Net assets per share (Singapore cents)	**53.0**	52.3

Corporate Information

BOARD OF DIRECTORS

Richard Li Tzar Kai
Chairman

Francis Yuen Tin Fan
Deputy Chairman

Peter A. Allen
Group Managing Director

Tom Yee Lat Shing
Lead Independent Director

Frances Wong Waikwun
Independent Director

Laura Deal Lacey
Independent Director

W. Michael Verge
Non-Executive Director

Christopher John Fossick
Independent Director

EXECUTIVE COMMITTEE

Richard Li Tzar Kai
Chairman

Peter A. Allen

NOMINATING COMMITTEE

Frances Wong Waikwun
Chairwoman

Laura Deal Lacey

Christopher John Fossick

AUDIT COMMITTEE

Tom Yee Lat Shing
Chairman

Francis Yuen Tin Fan

Frances Wong Waikwun

Christopher John Fossick

REMUNERATION COMMITTEE

Francis Yuen Tin Fan
Chairman

Tom Yee Lat Shing

Laura Deal Lacey

COMPANY SECRETARY

Lim Beng Jin

REGISTERED OFFICE

50 Raffles Place #35-01
Singapore Land Tower
Singapore 048623
Tel : (65) 6438 2366
Fax : (65) 6230 8777

AUDITORS

PricewaterhouseCoopers LLP

AUDIT PARTNER

Chua Chin San
(appointed in 2017)

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

COMPANY REGISTRATION NO.

196300381N

Financial Statements

Contents

Directors' Statement

For the financial year ended 31 December 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the balance sheet of the Company as at 31 December 2018.

In the opinion of the directors:

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 22 to 87 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Mr. Richard Li Tzar Kai
Mr. Francis Yuen Tin Fan
Mr. Peter A. Allen
Mr. Tom Yee Lat Shing
Ms. Frances Wong Waikwun
Ms. Laura Deal Lacey
Mr. W. Michael Verge
Mr. Christopher John Fossick (appointed on 13 August 2018)

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, the following directors holding office at the end of the financial year had an interest in the shares or debentures of the Company or its related corporations, or options to subscribe for ordinary shares of the Company:

	Ordinary shares registered in name of director or nominee		Ordinary shares in which directors are deemed to have an interest	
The Company	At 31.12.2018	At 1.1.2018	At 31.12.2018	At 1.1.2018
Richard Li Tzar Kai [a]	–	–	28,167,000	28,167,000
Peter A. Allen	5,010,000	5,010,000	–	–

[a] Richard Li Tzar Kai is deemed to be interested in 28,167,000 shares of the Company held by Hopestar Holdings Limited, a company which is 100% owned by Richard Li Tzar Kai.

Except as stated above, no other director who held office at the end of the financial year had an interest in shares or debentures of the Company or its related corporations. There was no change in any of these interests between the end of the financial year and 21 January 2019. Neither at the end of the financial year, nor at any time during that year, did there exist any arrangements, to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' Statement

For the financial year ended 31 December 2018

SHARE OPTIONS OF THE COMPANY

There were no options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the beginning or end of the financial year.

AUDIT COMMITTEE

The audit committee (the "Committee") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, including the following:

1. Reviewed the independence of external auditors and recommended to the Board of Directors whether the external auditors be re-appointed.

2. Reviewed with management, upon finalisation and prior to publication, the financial results for each quarter, half-year and full year.

3. Reviewed interested person transactions and the adequacy of the Company's internal control procedures in relation to interested person transactions.

4. Reviewed compliance with accounting standards, all relevant laws, the Listing Rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance issued by the SGX-ST.

5. Reviewed any changes during the year in accounting policies and their application.

6. Reviewed any significant adjustments proposed or recommendations on internal accounting controls arising from the statutory audit by external auditors.

7. Reviewed the audit plan of the external auditors of the Company, the nature and scope of the audit, and the co-operation given by management.

8. Reviewed with the Company's management the adequacy of the Company's internal controls in respect of management and business practices and reviewed with management and external auditors' significant accounting and auditing issues.

9. Reported to the Board or relevant authorities any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any relevant Singapore law or other regulation, which has or is likely to have a material impact on the Group's operating results.

10. Reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Committee reviews all non-audit services provided by the external auditors so as to ensure the nature and extent of such non-audit services does not affect the independence of the external auditors.

Directors' Statement

For the financial year ended 31 December 2018

AUDIT COMMITTEE (continued)

Pursuant to the requirements of the SGX-ST, the Committee reviewed the SGX-ST requirements for the approval and disclosure of interested person transactions. The Committee has also reviewed the procedures set up by the Company to identify and report and where necessary, to seek the appropriate approval for interested person transactions.

The Committee convened four meetings during the year with full attendance from all members. The Committee meets with external auditors, without the presence of the Company's management, at least once a year. Further details regarding the Committee are disclosed in the Report on Corporate Governance.

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Francis Yuen Tin Fan
Deputy Chairman

Peter A. Allen
Group Managing Director

7 March 2019

Independent Auditor's Report

To the Members of Pacific Century Regional Developments Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our Opinion

In our opinion, the accompanying consolidated financial statements of Pacific Century Regional Developments Limited ("the Company") and its subsidiary corporations ("the Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated income statement of the Group for the financial year ended 31 December 2018;
- the consolidated statement of comprehensive income of the Group for the financial year then ended;
- the balance sheets of the Group and of the Company as at 31 December 2018;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Independent Auditor's Report

To the Members of Pacific Century Regional Developments Limited

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Key Audit Matters in relation to PCCW Limited and its subsidiaries ("PCCW") *Refer to Note 15 in the financial statements for the financial information of PCCW.*	
PCCW is a significant investment of the Group and is accounted for under the equity method. The Group's share of profit after tax from PCCW for the financial year ended 31 December 2018 was $35.1 million which represented 70% of the Group's total profit, and the carrying value of the Group's share of PCCW net assets was $994.3 million as at 31 December 2018. The key audit matters identified by PCCW's auditor for the financial year ended 31 December 2018 related to the following: (1) Revenue recognition, including the adoption of Hong Kong Financial Reporting Standard ("HKFRS") 15 – Revenue from Contracts with Customers (2) Impairment assessments for cash generating units ("CGUs") containing goodwill (3) Income taxes (4) Adoption of HKFRS 16 – Leases PCCW's auditor reported that the key audit matters were supported by available evidence.	In the context of our audit of the Group's investment in PCCW, we have received the report from their auditor issued in accordance with our instructions and we have discussed the results of their work and have reviewed their working papers to enable us to determine whether the audit work performed and evidence obtained were sufficient for our purpose. We also discussed and evaluated their identified key audit matters and audit procedures relating to these key audit matters. We have also discussed the impact of the key audit matters in PCCW on the Group financial statements with the management of the Group. We found that the Group's share of the profit and net assets of PCCW were supported by available evidence.

Independent Auditor's Report

To the Members of Pacific Century Regional Developments Limited

Other Information

Management is responsible for the other information. The other information comprises the following sections that have been included in the Group's 2018 Annual Report for the financial year ended 31 December 2018 (but does not include the financial statements and our auditor's report thereon):

- Corporate Profile
- Message from the Executive Chairman
- Corporate Structure
- Board of Directors
- Business Review
- Financial Highlights
- Corporate Information
- Directors' Statement
- Report on Corporate Governance
- Sustainability Report
- Shareholding Statistics

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Independent Auditor's Report

To the Members of Pacific Century Regional Developments Limited

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

To the Members of Pacific Century Regional Developments Limited

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chua Chin San.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore
7 March 2019

Consolidated Income Statement

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Revenue	3	**15,620**	14,658
Other income	4	**171**	371
Expenses			
– Depreciation and amortisation expenses	17	**(361)**	(402)
– Employee compensation	5	**(1,960)**	(1,870)
– Directors' fees		**(262)**	(233)
– Legal and other professional fees		**(1,388)**	(1,205)
– Travelling expenses		**(1,003)**	(66)
– Foreign exchange loss, net		**(149)**	(485)
– Subscriptions and donations		**(109)**	(88)
– Telecommunications		**(51)**	(42)
– Others		**(488)**	(344)
– Finance expenses	6	**(3,017)**	(3,019)
Total expenses		**(8,788)**	(7,754)
Share of profit of associated corporations, net of tax		**36,496**	82,473
Loss on liquidation of subsidiary corporations		**(473)**	(10)
Profit before income tax		**43,026**	89,738
Income tax credit/(expense)	7(a)	**6,930**	(2,513)
Total profit		**49,956**	87,225
Attributable to equity holders of the Company		**49,956**	87,225
Earnings per share attributable to equity holders of the Company			
(Singapore cents per share)	8		
– Basic		**1.89**	3.29
– Diluted		**1.89**	3.29

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2018

	2018 $'000	2017 $'000
Total profit	**49,956**	87,225
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
– Fair value gains	**–**	19,261
– Reclassification of fair value gain on disposal of available-for-sale financial assets to income statement	**–**	(212)
Currency translation differences arising from consolidation		
– Gains/(losses), net	**21,781**	(74,550)
– Reclassification of currency translation differences of liquidated subsidiary corporations to income statement	**473**	10
Share of comprehensive loss of associated corporations	**(26,488)**	(2,616)
	(4,234)	(58,107)
Items that will not be reclassified subsequently to profit or loss:		
Fair value gains on equity investments at fair value through other comprehensive income	**32,746**	–
Other comprehensive income/(loss), net of tax	**28,512**	(58,107)
Total comprehensive income	**78,468**	29,118
Total comprehensive income attributable to equity holders of the Company	**78,468**	29,118

The accompanying notes form an integral part of these financial statements.

Balance Sheets

As at 31 December 2018

		Group			Company		
		31 December		1 January	31 December		1 January
	Note	**2018**	2017	2017	**2018**	2017	2017
		$'000	$'000	$'000	**$'000**	$'000	$'000
ASSETS							
Current assets							
Cash and cash equivalents	9	**13,109**	60,829	42,367	**8,685**	44,208	31,316
Trade and other receivables	10	**102**	101	27	**18**	5	6
Other current assets	11	**915**	752	706	**526**	448	473
		14,126	61,682	43,100	**9,229**	44,661	31,795
Asset classified as held-for-sale	12	**14,906**	–	–	**–**	–	–
		29,032	61,682	43,100	**9,229**	44,661	31,795
Non-current assets							
Financial assets, at fair value through other comprehensive income ("FVOCI")	13	**388,785**	–	–	**287,937**	–	–
Available-for-sale financial assets	14	**–**	261,130	274,273	**–**	225,243	233,696
Investments in associated corporations	15	**1,005,156**	1,084,407	835,841	**1,031,182**	1,010,578	1,098,119
Investments in subsidiary corporations	16	**–**	–	–	**126,951**	98,667	108,661
Property, plant and equipment	17	**170**	516	370	**–**	–	–
Other non-current assets	18	**1,199**	294	596	**880**	82	333
		1,395,310	1,346,347	1,111,080	**1,446,950**	1,334,570	1,440,809
Total assets		**1,424,342**	1,408,029	1,154,180	**1,456,179**	1,379,231	1,472,604
LIABILITIES							
Current liabilities							
Trade and other payables	19	**3,011**	2,034	2,729	**4,395**	10,163	7,916
Current income tax liabilities	7(b)	**10**	8	4	**–**	–	–
Borrowings	20	**13,100**	10,757	101,068	**12,973**	10,309	100,814
		16,121	12,799	103,801	**17,368**	20,472	108,730
Non-current liabilities							
Borrowings	20	**8**	26	43	**–**	–	–
Deferred income tax liabilities	21	**2,879**	9,765	8,061	**2,879**	9,764	8,061
		2,887	9,791	8,104	**2,879**	9,764	8,061
Total liabilities		**19,008**	22,590	111,905	**20,247**	30,236	116,791
NET ASSETS		**1,405,334**	1,385,439	1,042,275	**1,435,932**	1,348,995	1,355,813
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital	22	**457,283**	457,283	457,283	**457,283**	457,283	457,283
Other reserves	23	**243,812**	215,061	273,051	**68,829**	9,017	109,732
Retained profits		**704,239**	713,095	311,941	**909,820**	882,695	788,798
Total equity		**1,405,334**	1,385,439	1,042,275	**1,435,932**	1,348,995	1,355,813

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2018

	Share capital $'000	Other reserves $'000	Retained profits $'000	Total equity $'000
2018				
Balance at 31 December 2017	**457,283**	**219,169**	**738,334**	**1,414,786**
Changes in accounting policies	–	(4,108)	(25,239)	(29,347)
Balance at 1 January 2018 (Note 2.2(b))	**457,283**	**215,061**	**713,095**	**1,385,439**
Total comprehensive income for the year	–	28,512	49,956	78,468
Share of reserves of associated corporations	–	239	(518)	(279)
Dividend relating to 2017 paid	–	–	(58,294)	(58,294)
Balance at 31 December 2018	**457,283**	**243,812**	**704,239**	**1,405,334**
	(Note 22)	(Note 23)		
2017				
Balance at 31 December 2016	**457,283**	**270,890**	**339,045**	**1,067,218**
Changes in accounting policies	–	2,161	(27,104)	(24,943)
Balance at 1 January 2017 (Note 2.2(b))	**457,283**	**273,051**	**311,941**	**1,042,275**
Total comprehensive (loss)/income for the year	–	(58,107)	87,225	29,118
Share of reserves of associated corporations	–	117	313,929	314,046
Balance at 31 December 2017	**457,283**	**215,061**	**713,095**	**1,385,439**
	(Note 22)	(Note 23)		

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flow from operating activities:			
Profit after tax		**49,956**	87,225
Adjustments for:			
– Income tax (credit)/expense		**(6,930)**	2,513
– Depreciation and amortisation expenses		**361**	402
– Dividend income		**(15,620)**	(14,658)
– Interest income		**(127)**	(120)
– Gain on disposal of available-for-sale financial assets		**–**	(212)
– Finance expenses		**3,017**	3,019
– Unrealised currency translation gains		**(1,464)**	(469)
– Loss on liquidation of subsidiary corporations		**473**	10
– Share of profit of associated corporations, net of tax		**(36,496)**	(82,473)
		(6,830)	(4,763)
Change in working capital:			
– Trade and other receivables		**12**	(74)
– Trade and other payables		**888**	(446)
Cash used in operations		**(5,930)**	(5,283)
Interest received		**127**	120
Income tax paid		**(22)**	(91)
Net cash used in operating activities		**(5,825)**	(5,254)
Cash flow from investing activities:			
Purchase of property, plant and equipment		**(15)**	(3)
Purchase of financial assets, at FVOCI		**(93,062)**	–
Refund of capital contribution from financial assets, at FVOCI		**3,610**	–
Refund of capital contribution from available-for-sale financial assets		**–**	7,466
Dividends received from HKT Trust and HKT Limited ("HKT")		**15,560**	14,658
Dividends received from PCCW Limited ("PCCW")		**91,331**	89,801
Proceeds from disposal of available-for-sale financial assets		**–**	3,897
Net cash provided by investing activities		**17,424**	115,819
Cash flow from financing activities:			
Payment of finance expenses		**(4,006)**	(2,901)
Proceeds from borrowings		**64,472**	70,089
Repayment of borrowings and lease payments		**(62,710)**	(155,995)
Dividend paid to equity holders of the Company		**(58,294)**	–
Net cash used in financing activities		**(60,538)**	(88,807)
Net (decrease)/increase in cash and cash equivalents		**(48,939)**	21,758
Cash and cash equivalents at beginning of year	9	**60,829**	42,367
Effects of currency translation on cash and cash equivalents		**1,219**	(3,296)
Cash and cash equivalents at end of year	9	**13,109**	60,829

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

	1 January 2018 $'000	Proceeds from borrowings $'000	Principal and interest payments $'000	Non-cash changes: Acquisition $'000	Non-cash changes: Interest expense $'000	Non-cash changes: Foreign exchange movement $'000	31 December 2018 $'000
Bank loans	10,309	64,472	(62,829)	–	458	563	12,973
Lease liabilities	474	–	(346)	–	7	–	135

	1 January 2017 $'000	Proceeds from borrowings $'000	Principal and interest payments $'000	Non-cash changes: Acquisition $'000	Non-cash changes: Interest expense $'000	Non-cash changes: Foreign exchange movement $'000	31 December 2017 $'000
Bank loans	100,814	70,089	(156,431)	–	806	(4,969)	10,309
Lease liabilities	297	–	(364)	537	4	–	474

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2018

1. GENERAL INFORMATION

Pacific Century Regional Developments Limited (the “Company”) is listed on the Singapore Exchange Securities Trading Limited and incorporated and domiciled in Singapore. The address of its registered office is 50 Raffles Place, #35-01 Singapore Land Tower, Singapore 048623.

The immediate holding company of the Company is Pacific Century Group (Cayman Islands) Limited, which is incorporated in the Cayman Islands. The ultimate holding company is OS Holdings Limited, which is incorporated in Bermuda.

The principal activity of the Company is investment holding. The principal activities of its subsidiary corporations and principal associated corporations are set out in Note 26.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. There are no critical areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements.

2.2 Adoption of SFRS(I)

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group has prepared in accordance with SFRS(I). The Group’s previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards (“SFRS”).

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

(a) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(i) Business combinations

SFRS(I) 3 *Business Combinations* has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous SFRS financial statements has been adopted.

The Group has not applied SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under SFRS(I) 1-21.

(ii) Short-term exemption on adoption of SFRS(I) 9 Financial Instruments

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information relating to items within scope of SFRS(I) 9.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

As at 1 January 2017	Note	Reported under SFRS $'000	Effects of applying SFRS(I) 15 $'000	Effects of applying SFRS(I) 16 $'000	Reported under SFRS(I) $'000
ASSETS					
Current assets					
Cash and cash equivalents		42,367	–	–	42,367
Trade and other receivables		27	–	–	27
Other current assets		706	–	–	706
		43,100	–	–	43,100
Non-current assets					
Available-for-sale financial assets		274,273	–	–	274,273
Investments in associated corporations	A, C	860,784	(17,644)	(7,299)	835,841
Property, plant and equipment	C	132	–	238	370
Other non-current assets		596	–	–	596
		1,135,785	(17,644)	(7,061)	1,111,080
Total assets		1,178,885	(17,644)	(7,061)	1,154,180
LIABILITIES					
Current liabilities					
Trade and other payables		2,729	–	–	2,729
Current income tax liabilities		4	–	–	4
Borrowings	C	100,830	–	238	101,068
		103,563	–	238	103,801
Non-current liabilities					
Borrowings		43	–	–	43
Deferred income tax liabilities		8,061	–	–	8,061
		8,104	–	–	8,104
Total liabilities		111,667	–	238	111,905
NET ASSETS		1,067,218	(17,644)	(7,299)	1,042,275
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital		457,283	–	–	457,283
Other reserves	A, C	270,890	1,528	633	273,051
Retained profits	A, C	339,045	(19,172)	(7,932)	311,941
Total equity		1,067,218	(17,644)	(7,299)	1,042,275

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I) (continued)

	Note	As at 31 December 2017 reported under SFRS $'000	Effects of applying SFRS(I) 15 $'000	Effects of applying SFRS(I) 16 $'000	As at 31 December 2017 reported under SFRS(I) $'000	Effects of applying SFRS(I) 9 $'000	As at 1 January 2018 reported under SFRS(I) $'000
ASSETS							
Current assets							
Cash and cash equivalents		60,829	–	–	60,829	–	60,829
Trade and other receivables		101	–	–	101	–	101
Other current assets		752	–	–	752	–	752
		61,682	–	–	61,682	–	61,682
Non-current assets							
Financial assets, at FVOCI	B	–	–	–	–	261,130	261,130
Available-for-sale financial assets	B	261,130	–	–	261,130	(261,130)	–
Investments in associated corporations	A, C	1,113,752	(21,664)	(7,681)	1,084,407	–	1,084,407
Property, plant and equipment	C	87	–	429	516	–	516
Other non-current assets		294	–	–	294	–	294
		1,375,263	(21,664)	(7,252)	1,346,347	–	1,346,347
Total assets		1,436,945	(21,664)	(7,252)	1,408,029	–	1,408,029
LIABILITIES							
Current liabilities							
Trade and other payables		2,034	–	–	2,034	–	2,034
Current income tax liabilities		8	–	–	8	–	8
Borrowings	C	10,326	–	431	10,757	–	10,757
		12,368	–	431	12,799	–	12,799
Non-current liabilities							
Borrowings		26	–	–	26	–	26
Deferred income tax liabilities		9,765	–	–	9,765	–	9,765
		9,791	–	–	9,791	–	9,791
Total liabilities		22,159	–	431	22,590	–	22,590
NET ASSETS		1,414,786	(21,664)	(7,683)	1,385,439	–	1,385,439
EQUITY							
Capital and reserves attributable to equity holders of the Company							
Share capital		457,283	–	–	457,283	–	457,283
Other reserves	A, B, C	219,169	1,757	693	221,619	(6,558)	215,061
Retained profits	A, B, C	738,334	(23,421)	(8,376)	706,537	6,558	713,095
Total equity		1,414,786	(21,664)	(7,683)	1,385,439	–	1,385,439

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

(c) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I)

For the financial year ended 31 December 2017	Note	Reported under SFRS $'000	Effects of applying SFRS(I) 15 $'000	Effects of applying SFRS(I) 16 $'000	Reported under SFRS(I) $'000
Revenue		14,658	–	–	14,658
Other income		371	–	–	371
Expenses					
– Depreciation and amortisation expenses		(402)	–	–	(402)
– Employee compensation		(1,870)	–	–	(1,870)
– Directors' fees		(233)	–	–	(233)
– Legal and other professional fees		(1,205)	–	–	(1,205)
– Travelling expenses		(66)	–	–	(66)
– Foreign exchange loss, net		(485)	–	–	(485)
– Subscriptions and donations		(88)	–	–	(88)
– Telecommunications		(42)	–	–	(42)
– Others		(344)	–	–	(344)
– Finance expenses	C	(3,017)	–	(2)	(3,019)
Total expenses		(7,752)	–	(2)	(7,754)
Share of profit of associated corporations, net of tax	A, C	90,842	(7,645)	(724)	82,473
Loss on liquidation of subsidiary corporations		(10)	–	–	(10)
Profit before income tax		98,109	(7,645)	(726)	89,738
Income tax expense		(2,513)	–	–	(2,513)
Total profit		95,596	(7,645)	(726)	87,225

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

(c) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I) (continued)

For the financial year ended 31 December 2017	Note	Reported under SFRS $'000	Effects of applying SFRS(I) 15 $'000	Effects of applying SFRS(I) 16 $'000	Effects of applying SFRS(I) 9 $'000	Reported under SFRS(I) $'000
Total profit	A, C	95,596	(7,645)	(726)	–	87,225
Other comprehensive income/(loss):						
Items that may be reclassified subsequently to profit or loss:						
Available-for-sale financial assets						
– Fair value gains		19,261	–	–	–	19,261
– Reclassification of fair value gain on disposal of available-for-sale financial assets to income statement		(212)	–	–	–	(212)
Currency translation differences arising from consolidation						
– Losses, net	A, C	(74,800)	229	21	–	(74,550)
– Reclassification of currency translation differences of liquidated subsidiary corporations to income statement		10	–	–	–	10
Share of comprehensive income/(loss) of associated corporations	B, C	3,903	–	39	(6,558)	(2,616)
Other comprehensive loss, net of tax		(51,838)	229	60	(6,558)	(58,107)
Total comprehensive income		43,758	(7,416)	(666)	(6,558)	29,118

(d) There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I), except for the classification of payments relating to leases for the 12 months ended 31 December 2017 of $354,000 which were reclassified from cash flow from operating activities to cash flow from financing activities in the restated Consolidated Cash Flow Statements. The total net cash flows of the Group are unaffected.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

Explanatory notes to reconciliations:

The effects of transition to SFRS(I) arise mainly from the adoption of SFRS(I) 9 *Financial Instruments*, SFRS(I) 15 *Revenue from Contracts with Customers* and the early adoption of SFRS(I) 16 *Leases*.

A. Adoption of SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specific criteria are met.

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively and as a result of the adoption, the Group's investments in associated corporations and share of profit of associated corporations were adjusted.

The adoption of SFRS(I) 15 mainly affects the accounting treatment of the sale contracts with customers in the Group's associated corporation, PCCW Limited and its subsidiaries ("PCCW"), in which PCCW has multiple performance obligations to customers, such as provision of telecommunications, media, solutions and other services, sale of handsets, equipment and gifts offered in the contracts.

Previously, PCCW capitalised the subsidised costs of handsets and gifts as customer acquisition costs under intangible assets, with no revenue being allocated to them. These customer acquisition costs were amortised over the respective minimum enforceable contractual periods on a straight-line basis. Residual value method was used to determine the fair value of the delivered element by deducting the fair value of the undelivered element from the total contract consideration.

After the adoption of the new standards, the total transaction price receivable from customers in multiple-element sale contracts is allocated among all identified performance obligations of the Group in proportion to their respective stand-alone selling price.

Accordingly, although the total revenue being recognised for a multiple element sale contract over the contract period is unchanged, the amount and timing of revenue recognition for individual performance obligations would be different after the adoption of the new standards. The revenue being allocated to handsets, equipment and gifts is recognised upon the delivery to customers, which is generally upfront upon entering into the sale contracts. The revenue allocated to telecommunications, media, solutions and other services is recognised when services are rendered, which is generally over the contract period.

Moreover, subsidised costs of handsets and gifts are no longer capitalised and amortised, but are required to be recognised as cost of sales immediately when the corresponding revenue is recognised. Nevertheless, other direct costs incurred to acquire contractual relationships with customers and other costs incurred in fulfilling the contracts with customers are required to be capitalised as customer acquisition costs and fulfillment costs.

The impact to the consolidated financial statements is as follows:

Balance sheet	As at 31 December 2017 $'000	As at 1 January 2017 $'000
Decrease in investments in associated corporations	(21,664)	(17,644)
Increase in other reserves	1,757	1,528
Decrease in retained profits	(23,421)	(19,172)

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

Explanatory notes to reconciliations: (continued)

A. Adoption of SFRS(I) 15 (continued)

The impact to the consolidated financial statements is as follows: (continued)

Income statement	Year ended 31 December 2017 $'000
Decrease in share of profit of associated corporations, net of tax	(7,645)

B. Adoption of SFRS(I) 9

As disclosed in Note 2.2(a), the Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017.

At the same time, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative period to the extent that the disclosures required by SFRS(I) 7 relate to items within the scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information relating to items within the scope of SFRS(I) 9.

The accounting policies for financial instruments under SFRS(I) 9 are as disclosed in Note 2.10.

B1. Classification and measurement of financial assets

For financial assets held by the Group on 1 January 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate categories under SFRS(I) 9. Material reclassifications resulting from management's assessment are disclosed below.

The Company and its subsidiary corporations have elected to recognise changes in fair values of all its equity investments not held for trading and previously classified as available-for-sale, in other comprehensive income. As a result, assets with a fair value of $261,130,000 were reclassified from "financial assets, available-for-sale" to "financial assets, at FVOCI" on 1 January 2018. In addition, PCCW has reclassified its available-for-sale financial assets to financial assets, at FVOCI and financial assets at FVPL according to PCCW's business model and the nature and contractual cash flow characteristics of the financial instruments. Arising from this, there is no impact on the Group's share of PCCW's profits and movements in other comprehensive income. The Group's share of the accumulated fair value gains relating to financial assets at FVPL of $8,275,000 were reclassified from fair value reserve to retained profits on 1 January 2018 to be consistent with PCCW (Note 23(b)(v)).

B2. Hedge accounting

On 1 January 2018, PCCW applied a new hedge accounting model prospectively on adoption of the new standards and opted to separate foreign currency basis spread and exclude it from the designated hedging instrument retrospectively. PCCW recognises changes in fair value of cross currency swap contracts attributable to the foreign currency basis in costs of hedging reserve within equity. The Group's share of PCCW's retrospective application of the change to cross currency swap contracts in both cash flow and fair value hedge relationships has resulted in a reclassification of $1,717,000 between cash flow hedge reserve and retained profits as of 1 January 2018 (Note 23(b)(iii)).

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

Explanatory notes to reconciliations: (continued)

B. Adoption of SFRS(I) 9 (continued)

B3. Total impact

Group	Financial Assets AFS $'000	Financial Assets Amortised cost* $'000	Financial Assets FVOCI $'000	Other reserves $'000	Retained profits $'000
Balance as at 31 December 2017 – before adoption of SFRS(I) 9	261,130	61,029	–	219,169	738,334
Reclassify non-trading equities from AFS to FVOCI (Note B1)	(261,130)	–	261,130	–	–
Impact due to investments in associated corporations (Note B1, B2)	–	–	–	(6,558)	6,558
Balance as at 1 January 2018 – after adoption of SFRS(I) 9	–	61,029	261,130	212,611	744,892

Company	Financial Assets AFS $'000	Financial Assets Amortised cost* $'000	Financial Assets FVOCI $'000
Balance as at 31 December 2017 – before adoption of SFRS(I) 9	225,243	44,214	–
Reclassify non-trading equities from AFS to FVOCI	(225,243)	–	225,243
Balance as at 1 January 2018 – after adoption of SFRS(I) 9	–	44,214	225,243

* Financial assets measured at amortised cost include cash and cash equivalents, trade and other receivables and deposits.

C. Adoption of SFRS(I) 16

The Group has early adopted SFRS(I) 16 Leases from 1 January 2018. In accordance with the transition provisions in SFRS(I) 16, the Group has elected to apply the new standard retrospectively and has restated comparatives for the prior years presented.

Before the adoption of SFRS(I) 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in the consolidated income statement over the lease period on a straight-line basis.

On adoption of SFRS(I) 16, the Group recognised the full lease liabilities and corresponding right-of-use assets in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in SFRS(I) 16.

The accounting policies for leases under SFRS(I) 16 are as disclosed in Note 2.13.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

Explanatory notes to reconciliations: (continued)

C. Adoption of SFRS(I) 16 (continued)

In applying SFRS(I) 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the exclusion of initial direct costs for the measurement of the right-of use assets at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The impact to the consolidated financial statements is as follows:

Balance sheet	As at 31 December 2017 $'000	As at 1 January 2017 $'000
Decrease in investments in associated corporations	(7,681)	(7,299)
Increase in property, plant and equipment	429	238
Increase in borrowings	431	238
Increase in other reserves	693	633
Decrease in retained profits	(8,376)	(7,932)

Income statement	Year ended 31 December 2017 $'000
Increase in finance expenses	2
Decrease in share of profit of associated corporations, net of tax	(724)

2.3 Revenue and other income recognition

(a) *Dividend income*

Dividend income is recognised when the right to receive payment is established, it is probable that that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

(b) *Rendering of management services*

Income from the provision of management services to related parties is recognised in the accounting period in which the services are rendered.

The related parties are invoiced once every year and a contract asset is recognised for the cumulative revenue recognised but not yet invoiced.

(c) *Interest income*

Interest income is recognised on an accrual basis using the effective interest method.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group accounting

(a) *Subsidiary corporations*

(i) *Consolidation*

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group accounting (continued)

(a) *Subsidiary corporations* (continued)

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation, including any goodwill, are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations and associated corporations" for the accounting policy on investments in subsidiary corporations and associated corporations in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) *Associated corporations*

Associated corporations are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associated corporations are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) *Acquisitions*

Investments in associated corporations are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated corporations represents the excess of the cost of acquisition of the associated corporation over the Group's share of the fair value of the identifiable net assets of the associated corporation and is included in the carrying amount of the investment.

(ii) *Equity method of accounting*

Under the equity method of accounting, investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of its associated corporations' post-acquisition profits or losses, its share of movements in its investee's other comprehensive income and its share of other movements in the investee's reserves recorded in equity. Dividends received or receivable from associated corporations are recognised as a reduction in the carrying amount of these investments.

When the Group's share of losses in an associated corporation equals or exceeds its interest in the associated corporation, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated corporation. If the associated corporation subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses not recognised.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group accounting (continued)

(c) *Associated corporations* (continued)

(ii) *Equity method of accounting* (continued)

Where dividends paid by an associated corporation are in excess of the carrying amount of the Group's investment, the carrying value of the associated corporation is reduced to nil, but does not become negative. If the Group has no legal or constructive obligations to make payments on behalf of the associated corporation, then dividends in excess of the carrying amount of the Group's investment are recognised in profit or loss. In subsequent years, if the associated corporation makes profits, the Group will increase the carrying value of its investment in the associated corporation by its share of subsequent profits and movement in reserves; and will then assess whether the investment is impaired.

Unrealised gains on transactions between the Group and its associated corporations are eliminated to the extent of the Group's interest in the associated corporations. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated corporations are changed, where necessary, to ensure consistency with the accounting policies adopted by the Group.

(iii) *Disposals*

Investments in associated corporations are derecognised when the Group loses significant influence. If the retained equity interest in a former associated corporation is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations and associated corporations" for the accounting policy on investments in associated corporations in the separate financial statements of the Company.

2.5 Property, plant and equipment

(a) *Measurement*

(i) *Property, plant and equipment*

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) *Depreciation*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate depreciable amounts over estimated useful lives as follows:

	Useful lives
Renovations, furniture, fittings and office equipment	3 to 5 years
Motor vehicles – Right-of-use assets (Note 2.13)	Lease period of 5 years
Properties – Right-of-use assets (Note 2.13)	Lease period of between 2 to 3 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains and losses".

2.6 Intangible assets – Goodwill

Goodwill on acquisition of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiary corporations is recognised separately as an intangible asset and carried at cost less accumulated impairment losses.

Goodwill on acquisition of associated corporations represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated corporations is included in the carrying amount of the investment.

Gains and losses on the disposal of subsidiary corporations and associated corporations include the carrying amount of goodwill relating to the entity sold.

2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.8 Investments in subsidiary corporations and associated corporations

Investments in subsidiary corporations and associated corporations are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in an associated corporation is tested for impairment as part of the investment, rather than separately.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment of non-financial assets (continued)

(b) *Property, plant and equipment*
Investments in subsidiary corporations and associated corporations

Property, plant and equipment, and investments in subsidiary corporations and associated corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.10 Financial assets

The accounting for financial assets before 1 January 2018 is as follows:

(a) *Classification*

The Group classified its financial assets in the following categories: loans and receivables, and available-for-sale financial assets. The classification depended on the purpose for which the assets were acquired. Management determined the classification of its financial assets at initial recognition.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They were presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which were presented as non-current assets. Loans and receivables were presented as "cash and cash equivalents" (Note 9) and "trade and other receivables" (Note 10) on the balance sheet.

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that were either designated in this category or not classified in any of the other categories. They were presented as non-current assets unless management intended to dispose of the assets within 12 months after the balance sheet date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

(b) *Recognition and derecognition*

Purchases and sales of financial assets in the normal course of business were recognised on trade date – the date on which the Group commited to purchase or sell the asset.

Financial assets were derecognised when the rights to receive cash flows from them had expired or had been transferred and the Group had transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds was recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset was reclassified to profit or loss.

(c) *Initial measurement*

Financial assets were initially recognised at fair value plus transaction costs.

(d) *Subsequent measurement*

Available-for-sale financial assets were subsequently carried at fair value. Loans and receivables were subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets were recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies were analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences were recognised in profit or loss and the other changes were recognised in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) were recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) *Impairment*

At each balance sheet date the Group assessed whether there was objective evidence that a financial asset or a group of financial assets was impaired and recognised an allowance for impairment when such evidence existed.

(i) *Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets was reduced through the use of an impairment allowance account which was calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset became uncollectible, it was written off against the allowance account. Subsequent recoveries of amounts previously written off were recognised against the same line item in profit or loss.

The impairment allowance was reduced through profit or loss in a subsequent period when the amount of impairment loss decreased and the related decrease could be objectively measured. The carrying amount of the asset previously impaired was increased to the extent that the new carrying amount did not exceed the amortised cost, had no impairment been recognised in prior periods.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

(e) *Impairment* (continued)

(ii) *Available-for-sale financial assets*

In addition to the objective evidence of impairment described in Note 2.10(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost was considered to be an indicator that the available-for-sale financial asset was impaired.

If there was objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income was reclassified from equity to profit or loss. The amount of cumulative loss that was reclassified was measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security were not reversed through profit or loss in a subsequent period.

The accounting for financial assets from 1 January 2018 is as follows:

(f) *Classification and measurement*

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing financial assets as well as the contractual terms of the cash flows from the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

(f) *Classification and measurement* (continued)

<u>*At subsequent measurement*</u>

(i) *Debt instruments*

Debt instruments comprise mainly cash and cash equivalents, trade and other receivables, listed and unlisted debt securities.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains and losses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".
- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other gains and losses".

(ii) *Equity investments*

The Group subsequently measures all its equity investments at their fair values, and may irrevocably elect to recognise changes in fair value of equity securities which are not held for trading in other comprehensive income on initial recognition of the investments. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in OCI. Otherwise, changes in fair values are recognised in profit or loss.

Dividends from equity investments are recognised in profit or loss as "dividend income".

(g) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI.

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivable.

(h) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (continued)

(h) *Recognition and derecognition* (continued)

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceeds is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceeds amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2.11 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss, over the period of the borrowings, using the effective interest method.

2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of a financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.13 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations and associated corporations, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.15 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

2.16 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted from the carrying amount of the assets.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional currency of the Company is the Hong Kong Dollar. The financial statements are presented in Singapore Dollars because the Company is listed on the Singapore Exchange Securities Trading Limited and is incorporated and domiciled in Singapore.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Monetary items include mostly financial assets (other than equity investments), contract assets and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment in the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in profit or loss within "foreign exchange loss, net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group entities' financial statements*

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates on the reporting date.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chairman and Group Managing Director, who are responsible for allocating resources and assessing performance of the operating segments.

2.19 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

2.20 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When the Company purchases its ordinary shares ("treasury shares"), the carrying amount, which includes the consideration paid and any directly attributable transaction cost, is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of the capital of the Company, or against the retained profits of the Company if the shares are purchased out of the earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.21 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.22 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.23 Non-current assets held-for-sale

Non-current assets are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3. REVENUE

	Group	
	2018	2017
	$'000	$'000
Dividend income	**15,620**	14,658

Notes to the Financial Statements

For the financial year ended 31 December 2018

4. OTHER INCOME

	Group	
	2018	2017
	$'000	$'000
Interest income – bank deposits	**127**	120
Management fees		
– associated corporation	**3**	3
– other related parties	**34**	27
Gain on disposal of available-for-sale financial assets	**–**	212
Other income	**7**	9
	171	371

5. EMPLOYEE COMPENSATION

	Group	
	2018	2017
	$'000	$'000
Wages and salaries	**1,840**	1,756
Employer's contributions to defined contribution plans including Central Provident Fund	**120**	114
	1,960	1,870

6. FINANCE EXPENSES

	Group	
	2018	2017
	$'000	$'000
Interest expense		
– bank borrowings	**458**	806
– lease liability	**7**	4
Finance facility fees	**2,552**	2,209
	3,017	3,019

7. INCOME TAXES

(a) Income tax expense

	Group	
	2018	2017
	$'000	$'000
Tax expense attributable to profit is made up of:		
Profit from current financial year:		
Current income tax – Singapore	**24**	93
Deferred income tax (Note 21)	**2,562**	2,407
	2,586	2,500
(Over)/under provision in prior financial years:		
Current income tax	**–**	2
Deferred income tax (Note 21)	**(9,516)**	11
Tax (credit)/expense	**(6,930)**	2,513

Notes to the Financial Statements

For the financial year ended 31 December 2018

7. INCOME TAXES (continued)

(a) Income tax expense (continued)

The tax expense on the Group's profit differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2018	2017
	$'000	$'000
Profit before tax	**43,026**	89,738
Less: Share of profit of associated corporations	**(36,496)**	(82,473)
	6,530	7,265
Tax calculated at tax rate of 17% (2017: 17%)	**1,110**	1,235
Effects of:		
– income not subject to tax	**–**	(36)
– expenses not deductible for tax purposes	**1,484**	1,309
– different tax rates in other countries	**5**	5
– partial tax exemption	**(11)**	(11)
– corporate income tax rebate	**(2)**	(2)
Tax charge for the year	**2,586**	2,500

(b) Movement in current income tax liabilities

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**8**	4	**–**	–
Income tax paid	**(22)**	(91)	**(16)**	(85)
Tax expense	**24**	95	**16**	85
End of financial year	**10**	8	**–**	–

(c) There are no tax charges or credits relating to each component of other comprehensive income.

(d) There are no tax charges or credits recognised directly in equity.

8. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2018	2017
Net profit attributable to equity holders of the Company ($'000)	**49,956**	87,225
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**2,649,740**	2,649,740
Basic earnings per share (Cents per share)	**1.89**	3.29

Notes to the Financial Statements
For the financial year ended 31 December 2018

8. EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as there was no dilutive effect on earnings per share calculations due to the absence of any dilutive financial instruments during the financial years ended 31 December 2017 and 2018.

9. CASH AND CASH EQUIVALENTS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Cash at bank and on hand	**5,677**	18,241	11,498	**1,253**	1,620	447
Short-term bank deposits	**7,432**	42,588	30,869	**7,432**	42,588	30,869
	13,109	60,829	42,367	**8,685**	44,208	31,316

10. TRADE AND OTHER RECEIVABLES – CURRENT

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Trade receivables						
– Non-related parties	**14**	9	9	**9**	5	6
Other receivables						
– Other related parties [i]	**70**	14	15	**9**	–	–
– Non-related parties	**596**	596	596	**596**	596	596
	666	610	611	**605**	596	596
Less: Allowance for impairment of receivables						
– Non-related parties	**(596)**	(596)	(596)	**(596)**	(596)	(596)
Other receivables, net	**70**	14	15	**9**	–	–
Amount receivable on sale of an associated corporation [ii]	**59,776**	59,776	59,776	**–**	–	–
Less: Allowance for impairment of receivable	**(59,776)**	(59,776)	(59,776)	**–**	–	–
Amount receivable on sale of an associated corporation, net	**–**	–	–	**–**	–	–
Others	**18**	78	3	**–**	–	–
	102	101	27	**18**	5	6

Notes to the Financial Statements
For the financial year ended 31 December 2018

10. TRADE AND OTHER RECEIVABLES – CURRENT (continued)

(i) Amounts due from other related parties (Note 27(a)) are non-trade in nature, unsecured, interest-free and repayable on demand.

(ii) The allowance of $59,776,000 for the amount receivable on sale of an associated corporation was made in 1999. The background to this debt is as follows:

In 1995, the Company's 51%-owned subsidiary corporation, Gladioli Investments Pte Ltd ("Gladioli"), disposed of its 39% equity interest in an associated corporation, Bugis City Holdings Pte Ltd ("BCH"), to Montien International Limited ("Montien"). Montien was a shareholder of Gladioli.

The sale was completed in July 1996. Interest has been charged in accordance with the sale and purchase agreement on a net outstanding balance amounting to $53,000,000 (31 December 2017: $53,000,000; 1 January 2017: $53,000,000).

The receivable was secured by a second charge against 69,576,000 shares in BCH and by a guarantee given by Madam Endang Utari Mokodompit. On 31 March 2003, a judgement debt was recognised by The High Court of The Republic of Singapore in the sum of $70,224,000 against Madam Endang Utari Mokodompit as well as Montien. As at 31 December 2018, the amount due, inclusive of interest, was $98,145,000 (31 December 2017: $96,881,000; 1 January 2017: $95,705,000). However, the Company has not recognised any amount beyond the amount receivable of $59,776,000 (31 December 2017: $59,776,000; 1 January 2017: $59,776,000), which is fully provided for.

11. OTHER CURRENT ASSETS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Deposits	**85**	3	5	**1**	1	1
Prepayments	**830**	749	701	**525**	447	472
	915	752	706	**526**	448	473

12. ASSET CLASSIFIED AS HELD-FOR-SALE

On 1 January 2018, KSH Distriparks Private Limited ("KSH"), an associated company demerged its infra division and transferred it to KSH Infra Private Limited ("KIPL").

During the financial year ended 31 December 2018, management signed a non-binding agreement for the sale of KIPL. Accordingly, the Group's interests in KIPL was presented as an asset classified as held-for-sale as at 31 December 2018. The cumulative translation differences recognised in other comprehensive income relating to the Group's interests in KIPL amounted to approximately $777,000. The disposal was completed on 24 January 2019 for net proceeds of approximately $18,500,000.

Notes to the Financial Statements

For the financial year ended 31 December 2018

13. FINANCIAL ASSETS, AT FVOCI

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**–**	–	**–**	–
Reclassification at 1 January 2018 *	**261,130**	–	**225,243**	–
Currency translation differences	**5,457**	–	**4,592**	–
Refund of capital contribution	**(3,610)**	–	**–**	–
Fair value gains (Note 23(b)(v))	**32,746**	–	**32,888**	–
Additions	**93,062**	–	**25,214**	–
End of financial year	**388,785**	–	**287,937**	–

* See Note 2.2 for details of reclassification as at 1 January 2018 on adoption of SFRS(I) 9.

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Non-current assets				
Equity investments, at fair value:				
– Unquoted				
Foxdale Asset Holding Ltd	**32,939**	–	**–**	–
Exoduspoint Partners International Fund, Ltd	**48,140**	–	**–**	–
Others	**392**	–	**–**	–
	81,471	–	**–**	–
– Quoted				
FWDGRP ZERO Perpetual Corp (USD)	**19,377**	–	**–**	–
HKT	**287,937**	–	**287,937**	–
	307,314	–	**287,937**	–
Total	**388,785**	–	**287,937**	–

The Group's quoted equity investments are issued by related corporations.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**261,130**	274,273	**225,243**	233,696
Reclassification at 1 January 2018	**(261,130)**	–	**(225,243)**	–
Currency translation differences	**–**	(20,973)	**–**	(18,630)
Refund of capital contribution	**–**	(7,466)	**–**	–
Disposal of available-for-sale financial assets	**–**	(3,965)	**–**	–
Fair value gains recognised in other comprehensive income (Note 23(b)(v))	**–**	19,261	**–**	10,177
End of financial year	**–**	261,130	**–**	225,243

Notes to the Financial Statements

For the financial year ended 31 December 2018

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Available-for-sale financial assets are analysed as follows:

	Group		Company	
	31 December 2017 $'000	1 January 2017 $'000	31 December 2017 $'000	1 January 2017 $'000
Equity investments, at fair value:				
– Unquoted: Cayman Islands	35,887	40,577	–	–
– Quoted: Hong Kong	225,243	233,696	225,243	233,696
	261,130	274,273	225,243	233,696

The Group's quoted equity investments are issued by related corporations.

15. INVESTMENTS IN ASSOCIATED CORPORATIONS

	Company		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Equity investments – Quoted shares			
At cost	**1,031,182**	1,010,578	1,098,119
Market value of quoted shares at balance sheet date	**1,386,445**	1,367,780	1,374,958

Set out below are the associated corporations of the Group as at 31 December 2018. The associated corporations as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation is also their principal place of business.

Name of entity	**Place of business/country of incorporation**	**% of ownership interest**		
		31 December		1 January
		2018	2017	2017
PCCW Limited	Hong Kong	**22.7**	22.7	22.7
KSH Distriparks Private Limited #	India	**49.9**	49.9	49.9

On 1 January 2018, KSH, an associated company demerged its infra division and transferred it to KIPL (Note 12). The Group's interest in KIPL is classified as held-for-sale as at 31 December 2018.

PCCW's principal activities are the provision of local and international telecommunications and information technology services, technology-related businesses, and investment holding in Hong Kong.

KSH's principal activities are the provision of infrastructure and services for an Inland Container Depot, the development of warehousing and industrial parks and third party logistics and transportation solutions in India. KSH is not considered to be material to the Group and therefore no further disclosure relating to the summarised financial information of the associated corporation is made.

Notes to the Financial Statements

For the financial year ended 31 December 2018

15. INVESTMENTS IN ASSOCIATED CORPORATIONS (continued)

As at 31 December 2018, the fair value of the Group's interest in PCCW, which is listed on the Hong Kong Stock Exchange, was $1,386,445,000 (2017: $1,367,780,000). The carrying amount of the Group's interest in PCCW was $994,265,000 (2017: $1,058,783,000).

To provide shareholders with information on the results and financial position of PCCW, the financial information from its audited annual report dated 25 February 2019 is set out below. The consolidated statement of comprehensive income is translated at the average rate and the consolidated balance sheet at the closing rate as at the balance sheet date.

Consolidated statement of comprehensive income of PCCW

	For the year ended 31 December	
	2018	2017
	$'000	$'000
Continuing operations		
Revenue	**6,685,137**	6,523,094
Cost of sales	**(3,551,984)**	(3,248,796)
General and administrative expenses	**(2,231,820)**	(2,277,380)
Net other gains/(losses)	**110,645**	(6,199)
Interest income	**23,058**	23,555
Finance costs	**(326,772)**	(289,742)
Share of results of associates	**16,691**	14,700
Share of results of joint ventures	**(4,990)**	(5,136)
Profit before income tax	**719,965**	734,096
Income tax	**(195,134)**	(187,907)
Profit for the year from continuing operations	**524,831**	546,189
Discontinued operations		
Profit for the year from discontinued operations	**–**	202,430
Profit for the year	**524,831**	748,619
Profit attributable to:		
Equity holders of PCCW	**154,352**	360,938
Non-controlling interests	**370,479**	387,681
Profit for the year	**524,831**	748,619
Profit attributable to equity holders of PCCW arising from:		
Continuing operations	**154,352**	158,508
Discontinued operations	**–**	202,430
	154,352	360,938

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15. INVESTMENTS IN ASSOCIATED CORPORATIONS (continued)

Consolidated statement of comprehensive income of PCCW (continued)

	For the year ended 31 December	
	2018	2017
	$'000	$'000
Profit for the year	**524,831**	748,619
Other comprehensive (loss)/income		
Items that will not be reclassified subsequently to consolidated income statement:		
Remeasurements of defined benefit retirement schemes obligations	**(5,163)**	6,729
Changes in the fair value of equity instruments at fair value through other comprehensive income	**(13,938)**	–
	(19,101)	6,729
Items that have been reclassified or may be reclassified subsequently to the consolidated income statement:		
Translation exchange differences:		
– exchange differences on translating foreign operations	**(61,431)**	57,382
– reclassification of currency translation reserve on disposal of subsidiaries	**–**	30,462
Available-for-sale financial assets:		
– changes in fair value	**–**	18,773
– transfer to consolidated income statement on disposal	**–**	(1,594)
Cash flow hedges:		
– effective portion of changes in fair value	**(29,769)**	(58,444)
– transfer from equity to consolidated income statement	**5,851**	(59,861)
Costs of hedging	**7,915**	–
	(77,434)	(13,282)
Other comprehensive loss for the year	**(96,535)**	(6,553)
Total comprehensive income for the year	**428,296**	742,066
Attributable to:		
Equity holders of PCCW	**73,132**	385,556
Non-controlling interests	**355,164**	356,510
Total comprehensive income for the year	**428,296**	742,066
Total comprehensive income for the year attributable to equity holders of PCCW arising from:		
Continuing operations	**73,132**	147,705
Discontinued operations	**–**	237,851
	73,132	385,556

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15. INVESTMENTS IN ASSOCIATED CORPORATIONS (continued)

Consolidated balance sheet of PCCW

	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	**4,189,969**	3,725,002	3,678,030
Right-of-use assets	**731,930**	556,147	691,696
Investment properties	**616,574**	643,255	600,403
Interests in leasehold land	**67,495**	69,411	78,784
Properties held for/under development	**554,689**	204,110	172,504
Goodwill	**3,189,285**	3,114,563	3,378,202
Intangible assets	**1,927,736**	1,649,887	1,715,705
Fulfillment costs	**240,003**	236,753	257,262
Customer acquisition costs	**141,477**	136,932	161,302
Contract assets	**52,944**	60,649	67,209
Interests in associates	**136,393**	123,531	135,352
Interests in joint ventures	**92,916**	101,711	117,243
Available-for-sale financial assets	**–**	347,227	197,334
Financial assets at fair value through other comprehensive income	**193,194**	–	–
Financial assets at fair value through profit or loss	**128,153**	–	–
Derivative financial instruments	**26,647**	38,657	53,954
Deferred income tax assets	**209,323**	208,749	211,709
Other non-current assets	**217,913**	174,043	166,343
Restricted cash	**38,043**	–	–
	12,754,684	11,390,627	11,683,032
Current assets			
Sales proceeds held in stakeholders' accounts	**88,883**	87,279	95,213
Properties under development	**134,991**	–	–
Inventories	**224,400**	156,518	176,051
Prepayments, deposits and other current assets	**657,071**	764,896	828,168
Contract assets	**471,591**	530,891	572,026
Trade receivables, net	**841,325**	629,510	705,324
Amounts due from related companies	**19,284**	14,776	18,296
Derivative financial instruments	**701**	172	–
Other financial assets	**–**	13,573	–
Tax recoverable	**3,156**	3,264	2,987
Restricted cash	**32,608**	25,600	25,950
Short-term deposits	**105,889**	279,878	84,572
Cash and cash equivalents	**1,184,587**	1,999,519	886,976
	3,764,486	4,505,876	3,395,563
Assets of disposal group classified as held for sale	**–**	–	150,661
	3,764,486	4,505,876	3,546,224

Notes to the Financial Statements

For the financial year ended 31 December 2018

15. INVESTMENTS IN ASSOCIATED CORPORATIONS (continued)

Consolidated balance sheet of PCCW (continued)

	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Current liabilities			
Short-term borrowings	**(106,590)**	(106,866)	(85,318)
Trade payables	**(342,210)**	(358,738)	(509,857)
Accruals and other payables	**(1,171,263)**	(1,291,148)	(1,268,389)
Amount payable to the Government under the Cyberport Project Agreement	**(56,451)**	(55,151)	(59,928)
Derivative financial instruments	**–**	(2,577)	–
Carrier licence fee liabilities	**(30,329)**	(29,723)	(32,298)
Amounts due to related companies	**(175)**	(172)	(6,534)
Advances from customers	**(62,236)**	(43,468)	(56,194)
Contract liabilities	**(325,380)**	(264,243)	(263,050)
Lease liabilities	**(281,902)**	(248,437)	(322,791)
Current income tax liabilities	**(181,624)**	(198,440)	(208,162)
	(2,558,160)	(2,598,963)	(2,812,521)
Liabilities of disposal group classified as held for sale	**–**	–	(6,721)
	(2,558,160)	(2,598,963)	(2,819,242)
Non-current liabilities			
Long-term borrowings	**(8,644,133)**	(8,008,556)	(8,425,622)
Derivative financial instruments	**(46,107)**	(48,450)	(18,296)
Deferred income tax liabilities	**(644,098)**	(551,165)	(539,728)
Defined benefit retirement schemes liability	**(23,667)**	(18,040)	(28,751)
Carrier licence fee liabilities	**(62,587)**	(78,173)	(101,561)
Contract liabilities	**(177,066)**	(176,277)	(158,875)
Lease liabilities	**(503,322)**	(344,478)	(403,069)
Other long-term liabilities	**(422,328)**	(311,147)	(151,221)
	(10,523,308)	(9,536,286)	(9,827,123)
Net assets	**3,437,702**	3,761,254	2,582,891
CAPITAL AND RESERVES			
Share capital	**2,270,998**	2,225,620	2,418,415
Reserves	**725,969**	1,071,404	(292,547)
Equity attributable to equity holders of PCCW	**2,996,967**	3,297,024	2,125,868
Non-controlling interests	**440,735**	464,230	457,023
Total equity	**3,437,702**	3,761,254	2,582,891

The information on pages 56 to 59 reflects the information presented in the audited financial statements of PCCW (and not the Group's share of these figures). There are no differences in accounting policies between the Group and PCCW.

Notes to the Financial Statements

For the financial year ended 31 December 2018

15. INVESTMENTS IN ASSOCIATED CORPORATIONS (continued)

Group's share of PCCW's contingent liabilities is as follows:

	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Performance guarantee	**22,524**	22,308	39,116
Others	**6,367**	5,070	3,221

PCCW is subject to certain corporate guarantee obligations to guarantee the performance of its subsidiaries in the normal course of their businesses. The amount of liabilities arising from such obligations, if any, cannot be ascertained but the directors of PCCW are of the opinion that any resulting liability would not materially affect the financial position of PCCW.

Reconciliation of financial information

Reconciliation of the financial information presented, to the carrying amount of the Group's interest in associated corporations, is as follows:

	PCCW#		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Net assets			
At 1 January	**3,297,024**	2,125,868	2,006,772
Profit for the year	**154,352**	360,938	251,013
Other comprehensive gain	**(81,220)**	24,617	68,086
Transactions with equity holders	**(441,787)**	966,600	(267,344)
Currency translation differences	**68,598**	(180,999)	67,341
At 31 December	**2,996,967**	3,297,024	2,125,868

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Interest in PCCW (22.7%) (2017: 22.7%)	**680,312**	748,424	482,572
Dividends from PCCW*	**232,605**	232,605	232,605
Goodwill and foreign exchange differences	**81,348**	77,754	95,213
Carrying value of PCCW	**994,265**	1,058,783	810,390
Add:			
Carrying value of KSH	**10,891**	25,624	25,451
Carrying value of Group's interest in associated corporations	**1,005,156**	1,084,407	835,841
Dividends received from PCCW	**91,331**	89,801	80,693

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For the financial year ended 31 December 2018

15. INVESTMENTS IN ASSOCIATED CORPORATIONS (continued)

Reconciliation of financial information (continued)

Reconciliation of the financial information presented, to the carrying amount of the Group's interest in associated corporations, is as follows: (continued)

The information above reflects the amounts attributable to equity holders of PCCW.

* In 2009, the Company received dividends amounting to $377,478,000 from PCCW. This was $232,605,000 in excess of the carrying value of the Group's investment in PCCW. This amount was recognised in the consolidated income statement. Subsequently, the Group continued to increase the carrying value of its investment in PCCW by recognising its share of subsequent profits and reserves of PCCW.

Further details of associated corporations are provided in Note 26.

16. INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2018	2017
	$'000	$'000
Equity investments, at cost		
Beginning of financial year	**98,667**	108,661
Currency translation difference	**2,011**	(8,663)
Additions	**68,795**	–
Capital reductions	**(19,676)**	–
Allowance for impairment	**(22,846)**	(1,331)
End of financial year	**126,951**	98,667

Details of the subsidiary corporations are provided in Note 26.

In 2018, additions to investments in subsidiary corporations of $68,795,000 were effected through cash injections.

In 2018, two subsidiary corporations reduced their issued share capital via Court-free processes. Management is of the view that these capital reductions do not result in a change in the Company's ownership interest in these subsidiary corporations, and hence the cumulative currency translation differences relating to the capital reductions do not need to be reclassified to profit or loss.

The Company recognised impairment losses of $22,846,000 (2017: $1,331,000) against its investments in subsidiary corporations in Singapore and Hong Kong arising from losses incurred by these subsidiary corporations.

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For the financial year ended 31 December 2018

17. PROPERTY, PLANT AND EQUIPMENT

(a) Property, plant and equipment

	Renovations, furniture, fittings and office equipment $'000	Motor vehicles $'000	Properties $'000	Total $'000
Group				
2018				
Cost				
Beginning of financial year	**234**	**163**	**537**	**934**
Currency translation differences	**1**	**–**	**–**	**1**
Additions	**15**	**–**	**–**	**15**
Disposals	**(8)**	**–**	**–**	**(8)**
End of financial year	**242**	**163**	**537**	**942**
Accumulated depreciation				
Beginning of financial year	**229**	**81**	**108**	**418**
Currency translation differences	**1**	**–**	**–**	**1**
Depreciation charge	**6**	**33**	**322**	**361**
Disposals	**(8)**	**–**	**–**	**(8)**
End of financial year	**228**	**114**	**430**	**772**
Net book value				
End of financial year	**14**	**49**	**107**	**170**
2017				
Cost				
Beginning of financial year	242	163	1,070	1,475
Currency translation differences	(4)	–	–	(4)
Additions	3	–	537	540
Disposals	(7)	–	(1,070)	(1,077)
End of financial year	234	163	537	934
Accumulated depreciation				
Beginning of financial year	224	49	832	1,105
Currency translation differences	(4)	–	(8)	(12)
Depreciation charge	16	32	354	402
Disposals *	(7)	–	(1,070)	(1,077)
End of financial year	229	81	108	418
Net book value				
End of financial year	5	82	429	516

* The disposal of properties amounting to $1,070,000 relates to the expiry of an office lease in 2017 which was subsequently renewed.

17. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Property, plant and equipment (continued)

	Renovations, furniture, fittings and office equipment $'000
Company	
2018	
Cost	
Beginning and end of financial year	**23**
Accumulated depreciation	
Beginning and end of financial year	**23**
Net book value	
End of financial year	**–**
2017	
Cost	
Beginning of financial year	32
Currency translation differences	(2)
Disposals	(7)
End of financial year	23
Accumulated depreciation	
Beginning of financial year	32
Currency translation differences	(2)
Disposals	(7)
End of financial year	23
Net book value	
End of financial year	–

Notes to the Financial Statements

For the financial year ended 31 December 2018

17. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Leases

(i) *Amounts recognised in the balance sheet*

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Right-of-use assets *			
Motor vehicles	**49**	82	114
Properties	**107**	429	238
	156	511	352
Lease liabilities **			
Current (Note 20)	**127**	448	254
Non-current (Note 20)	**8**	26	43
	135	474	297

Additions to the right-of-use assets during the financial year ended 31 December 2018 were nil (2017 : $537,000).

* included in the line item 'Property, plant and equipment' in the balance sheet

** included in the line item 'borrowings' in the balance sheet. For adjustments recognised on adoption of SFRS(I) 16 on 1 January 2018, refer to note 2.2.

(ii) *Amounts recognised in the income statement*

The income statement shows the following amounts relating to leases:

		Group	
		31 December	
	Note	**2018**	2017
		$'000	$'000
Depreciation charge of right-of-use assets			
Motor vehicles		**33**	32
Properties	15	**322**	354
		355	386
Finance expenses			
Lease liability	6	**7**	4

The total cash outflow relating to leases for the financial year ended 31 December 2018 was $346,000 (2017: $364,000).

17. PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Leases (continued)

(iii) The Group's leasing activities and how these are accounted for

The Group leases various office properties and a motor vehicle. Rental contracts are typically made for periods of two to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and corresponding liability at the date on which the leased asset is available for use by the Group.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. A right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

18. OTHER NON-CURRENT ASSETS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Deposits	**1**	83	92	**–**	–	–
Prepayments	**1,198**	198	504	**880**	82	333
Other sundry receivables	**–**	13	–	**–**	–	–
	1,199	294	596	**880**	82	333

19. TRADE AND OTHER PAYABLES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Other payables to						
– Subsidiary corporations	**–**	–	–	**2,676**	9,320	6,942
– Other related parties	**46**	–	191	**46**	–	191
– Other non-related parties	**86**	–	–	**86**	–	–
	132	–	191	**2,808**	9,320	7,133
Accruals for operating expenses	**2,879**	2,034	2,538	**1,587**	843	783
	3,011	2,034	2,729	**4,395**	10,163	7,916

Amounts due to subsidiary corporations and other related parties (Note 27(a)) are non-trade in nature, unsecured, interest-free and repayable on demand.

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20. BORROWINGS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Current						
Bank loans	**12,973**	10,309	100,814	**12,973**	10,309	100,814
Lease liability (Note 17(b)(i))	**127**	448	254	**–**	–	–
	13,100	10,757	101,068	**12,973**	10,309	100,814
Non-current						
Lease liability (Note 17(b)(i))	**8**	26	43	**–**	–	–
Total borrowings	**13,108**	10,783	101,111	**12,973**	10,309	100,814

The secured bank loans for both the Group and the Company are denominated in Hong Kong Dollars and United States Dollars. The loans in 2017 and 2018 are secured by shares in PCCW (Note 15) held by the Company. The secured bank loans were repayable in January 2019 (31 December 2017: January 2018; 1 January 2017: January 2017) and bear effective interest rates ranging from 1.62% to 3.33% (31 December 2017: 1.22% to 1.95%; 1 January 2017: 1.24% to 1.83%) per annum as at 31 December 2018.

Undrawn bank facilities

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Expiring within one year	**–**	202,974	61,395	**–**	134,250	61,395
Expiring beyond one year	**382,129**	156,641	236,360	**241,879**	87,917	87,006
	382,129	359,615	297,755	**241,879**	222,167	148,401

Those facilities expiring within one year from the balance sheet date are facilities subject to annual review at various dates during 2018. The longer term facilities are mainly for general corporate funding requirements of the Group.

21. DEFERRED INCOME TAX LIABILITIES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Deferred income tax liabilities						
– to be settled after one year	**2,879**	9,765	8,061	**2,879**	9,764	8,061

Notes to the Financial Statements

For the financial year ended 31 December 2018

21. DEFERRED INCOME TAX LIABILITIES (continued)

Movements in the deferred income tax account are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**9,765**	8,061	**9,764**	8,061
Currency translation differences	**68**	(714)	**69**	(714)
Tax charge to income statement (Note 7(a))	**2,562**	2,407	**2,562**	2,407
(Over)/under provision in prior financial year (Note 7(a))	**(9,516)**	11	**(9,516)**	10
End of financial year	**2,879**	9,765	**2,879**	9,764

The Group's and Company's deferred tax liabilities have been measured based on the corporate tax rates and tax laws prevailing at the balance sheet date in relevant jurisdictions.

A deferred income tax liability has been provided in respect of certain earnings not remitted into Singapore from the Company's financial assets, at FVOCI (31 December 2017 and 1 January 2017: available-for-sale financial assets). These earnings will be brought to tax by the tax authority if and when they are remitted into Singapore unless for the purpose of paying dividends. There are no assessable temporary differences relating to the Group's investments in subsidiary corporations and associated corporations.

At 31 December 2018, a subsidiary corporation had unutilised tax losses amounting to approximately $45,730,000 (31 December 2017: $45,730,000; 1 January 2017: $45,730,000) available for set-off against taxable income in the future for which no deferred tax asset is recognised due to uncertainty as to its recoverability. The use of these tax losses is subject to agreement by the tax authority and in compliance with certain provisions of the tax legislation of the jurisdiction in which the subsidiary corporation operates. These tax losses have no expiry date.

In 2018, there was a write back of a deferred tax provision of $9,516,000 for distributions from HKT which were used to pay a tax exempt dividend to equity holders of the Company.

22. SHARE CAPITAL

	No. of ordinary shares '000	Amount $'000
Group and Company		
2018		
Beginning and end of financial year	**2,649,740**	**457,283**
2017		
Beginning and end of financial year	2,649,740	457,283

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

Notes to the Financial Statements

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23. OTHER RESERVES

(a) Composition:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Currency translation reserve	**83,546**	73,202	131,855	**(72,267)**	(99,191)	11,701
Equity share compensation reserve	**4,651**	4,412	4,295	**–**	–	–
Cash flow hedge reserve	**1,204**	3,674	17,688	**–**	–	–
Other reserve	**(13,022)**	(4,140)	(4,140)	**–**	–	–
Fair value reserve	**167,433**	137,913	123,353	**141,096**	108,208	98,031
	243,812	215,061	273,051	**68,829**	9,017	109,732

(b) Movements:

(i) Currency translation reserve

Movements in the currency translation reserve arise mainly from differences in the translation of the financial statements of companies in the Group whose functional currencies are different from that of the Group's presentation currency.

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**70,752**	129,694	**(99,191)**	11,701
Changes in accounting policies	**2,450**	2,161	**–**	–
Balance as at 1 January 2018	**73,202**	131,855	**(99,191)**	11,701
Net currency translation differences of financial statements of the Company, foreign subsidiary corporations and associated corporations	**22,254**	(74,540)	**26,924**	(110,892)
Share of currency translation reserve of associated corporations	**(11,910)**	15,887	**–**	–
End of financial year	**83,546**	73,202	**(72,267)**	(99,191)

(ii) Equity share compensation reserve

Equity share compensation reserve represents the equity-settled share options granted to employees of an associated corporation.

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**4,412**	4,295	**–**	–
Share of equity share compensation reserve of an associated corporation	**239**	117	**–**	–
End of financial year	**4,651**	4,412	**–**	–

Notes to the Financial Statements
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23. OTHER RESERVES (continued)

(b) *Movements:* (continued)

(iii) *Cash flow hedge reserve*

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**1,957**	17,688	**–**	–
Changes in accounting policies	**1,717**	–	**–**	–
Balance as at 1 January 2018	**3,674**	17,688	**–**	–
Share of net fair value losses, net of tax of an associated corporation	**(2,470)**	(14,014)	**–**	–
End of financial year	**1,204**	3,674	**–**	–

(iv) *Other reserve*

The other reserve records the increase in ownership interest in a subsidiary corporation of an associated corporation and dividends paid under the associated corporation's share award scheme.

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning and end of financial year	**(4,140)**	(4,140)	**–**	–
Share of an associated corporation's other reserves relating to acquisition of subsidiary corporations	**(8,882)**	–	**–**	–
End of financial year	**(13,022)**	(4,140)	**–**	–

(v) *Fair value reserve*

The fair value reserve records the cumulative fair value changes in financial assets, at FVOCI/available-for-sale financial assets until they are derecognised or impaired.

	Group		Company	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Beginning of financial year	**146,188**	123,353	**108,208**	98,031
Changes in accounting policies	**(8,275)**	–	**–**	–
Balance as at 1 January 2018	**137,913**	123,353	**108,208**	98,031
Fair value gains/(losses) on financial assets, at FVOCI/available-for-sale investments:				
– Net gains on fair value changes during the year	**32,746**	19,261	**32,888**	10,177
– Reclassification of fair value gain on disposal of available-for-sale financial assets to income statement	**–**	(212)	**–**	–
– Share of an associated corporation's net losses on fair value changes	**(3,226)**	(4,489)	**–**	–
End of financial year	**167,433**	137,913	**141,096**	108,208

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24. SEGMENT INFORMATION

The chief operating decision makers consist of the Chairman and Group Managing Director.

The chief operating decision makers include a business segment analysis in their strategic decision making process. Management provides information on the business in two business segments: investment holding and business management and consultancy services.

The chief operating decision makers assess the performance of these operating segments based on net profit.

Revenue is derived from dividend income and the provision of business management and consultancy services to other related parties and associated corporations.

Information with respect to total assets and total liabilities is measured in a manner consistent with that used in the financial statements.

All assets other than cash and cash equivalents are allocated to reportable segments.

Liabilities are allocated based on operations within the segment. All liabilities are allocated to reportable segments other than borrowings, current income tax liabilities and deferred income tax liabilities.

Geographical information:

	Group Revenue		Group Non-current assets	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Singapore	**–**	–	**1,051**	694
India	**–**	–	**10,891**	25,624
Hong Kong	**15,620**	14,658	**994,583**	1,058,899
	15,620	14,658	**1,006,525**	1,085,217

Notes to the Financial Statements

For the financial year ended 31 December 2018

24. SEGMENT INFORMATION (continued)

2018

	Investment holding $'000	Business management and consultancy services $'000	Consolidated $'000
External revenue	15,620	–	15,620
Operating profit before interest income, depreciation and amortisation	9,821	433	10,254
Interest income	127	–	127
Depreciation and amortisation	(358)	(3)	(361)
Profit from operating activities	9,590	430	10,020
Finance expenses	(3,017)	–	(3,017)
Share of profits of associated corporations, net of tax	36,496	–	36,496
Loss on liquidation of a subsidiary corporation	(473)	–	(473)
Profit before income tax	42,596	430	43,026
Income tax expense	6,938	(8)	6,930
Total profit	49,534	422	49,956
Segment assets	404,502	206	404,708
Property, plant and equipment	–	170	170
Other non-current assets	1,198	1	1,199
Investments in associated corporations	1,005,156	–	1,005,156
	1,006,354	171	1,006,525
Unallocated corporate assets			
– Cash and cash equivalents			13,109
Total assets			1,424,342
Segment liabilities	2,732	279	3,011
Unallocated corporate liabilities			
– Borrowings			13,108
– Current income tax liabilities			10
– Deferred income tax liabilities			2,879
Total liabilities			19,008
Other segment information:			
Additions to property, plant and equipment	–	15	15

Notes to the Financial Statements

For the financial year ended 31 December 2018

24. SEGMENT INFORMATION (continued)

2017

	Investment holding $'000	Business management and consultancy services $'000	Consolidated $'000
External revenue	14,658	–	14,658
Operating profit before interest income, depreciation and amortisation	10,370	206	10,576
Interest income	120	–	120
Depreciation and amortisation	(402)	–	(402)
Profit from operating activities	10,088	206	10,294
Finance expenses	(3,019)	–	(3,019)
Share of profits of associated corporations, net of tax	82,473	–	82,473
Loss on liquidation of a subsidiary corporation	(10)	–	(10)
Profit before income tax	89,532	206	89,738
Income tax expense	(2,503)	(10)	(2,513)
Total profit	87,029	196	87,225
Segment assets	261,882	101	261,983
Property, plant and equipment	–	516	516
Other non-current assets	198	96	294
Investments in associated corporations	1,084,407	–	1,084,407
	1,084,605	612	1,085,217
Unallocated corporate assets			
– Cash and cash equivalents			60,829
Total assets			1,408,029
Segment liabilities	1,832	202	2,034
Unallocated corporate liabilities			
– Borrowings			10,783
– Current income tax liabilities			8
– Deferred income tax liabilities			9,765
Total liabilities			22,590
Other segment information:			
Additions to property, plant and equipment	–	3	3

Notes to the Financial Statements

For the financial year ended 31 December 2018

25. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group's associated corporation, PCCW, uses financial instruments such as currency forwards, interest rate swaps and foreign currency borrowings to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group.

(a) Market risk

(i) Currency risk

The Group operates in Asia with operations in Singapore, Hong Kong and India. Entities in the Group regularly transact in currencies other than their functional currencies ("foreign currencies") such as the Singapore Dollar ("SGD"), United States Dollar ("USD") and Hong Kong Dollar ("HKD").

Currency risk arises when transactions involving monetary items are denominated in foreign currencies. Where material, the Group takes steps to manage currency risk.

In addition, the Group is exposed to currency translation risk on net monetary assets in foreign operations. The Group monitors foreign currency exposures on an on-going basis.

The Group's currency exposure, based on the information provided to key management, is as follows:

	HKD $'000	SGD $'000	USD $'000	Other $'000	Total $'000
At 31 December 2018					
Financial assets					
Cash and cash equivalents	**12,099**	**917**	**92**	**1**	**13,109**
Trade and other receivables	**–**	**99**	**3**	**–**	**102**
Other financial assets	**–**	**86**	**–**	**–**	**86**
Intercompany receivables	**29**	**2,648**	**–**	**–**	**2,677**
	12,128	**3,750**	**95**	**1**	**15,974**
Financial liabilities					
Other financial liabilities	**(478)**	**(811)**	**(1,069)**	**(653)**	**(3,011)**
Borrowings	**(12,974)**	**(134)**	**–**	**–**	**(13,108)**
Intercompany payables	**(29)**	**(2,648)**	**–**	**–**	**(2,677)**
	(13,481)	**(3,593)**	**(1,069)**	**(653)**	**(18,796)**
Net financial (liabilities)/assets	**(1,353)**	**157**	**(974)**	**(652)**	**(2,822)**
Less:					
Net financial assets denominated in respective entities' functional currencies	**1,353**	**(316)**	**(5)**	**–**	
Net intercompany receivables denominated in respective entities' functional currencies	**–**	**(2,648)**	**–**	**–**	
Currency exposure	**–**	**(2,807)**	**(979)**	**(652)**	

Notes to the Financial Statements

For the financial year ended 31 December 2018

25. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Group's currency exposure, based on the information provided to key management, is as follows: (continued)

	HKD $'000	SGD $'000	USD $'000	Other $'000	Total $'000
At 31 December 2017					
Financial assets					
Cash and cash equivalents	59,277	1,103	448	1	60,829
Trade and other receivables	–	62	39	–	101
Other financial assets	–	99	–	–	99
Intercompany receivables	3,169	6,151	–	–	9,320
	62,446	7,415	487	1	70,349
Financial liabilities					
Other financial liabilities	(402)	(696)	(297)	(639)	(2,034)
Borrowings	(10,309)	(474)	–	–	(10,783)
Intercompany payables	(3,169)	(6,151)	–	–	(9,320)
	(13,880)	(7,321)	(297)	(639)	(22,137)
Net financial assets/(liabilities)	48,566	94	190	(638)	48,212
Less:					
Net financial assets denominated in respective entities' functional currencies	(48,566)	(105)	(5)	–	
Net intercompany receivables denominated in respective entities' functional currencies	–	(6,151)	–	–	
Currency exposure	–	(6,162)	185	(638)	

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For the financial year ended 31 December 2018

25. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Group's currency exposure, based on the information provided to key management, is as follows: (continued)

	HKD $'000	SGD $'000	USD $'000	Other $'000	Total $'000
At 1 January 2017					
Financial assets					
Cash and cash equivalents	41,275	1,014	77	1	42,367
Trade and other receivables	–	27	–	–	27
Other financial assets	–	97	–	–	97
Intercompany receivables	3,444	3,498	–	–	6,942
	44,719	4,636	77	1	49,433
Financial liabilities					
Other financial liabilities	(388)	(747)	(899)	(695)	(2,729)
Borrowings	(100,814)	(297)	–	–	(101,111)
Intercompany payables	(3,444)	(3,498)	–	–	(6,942)
	(104,646)	(4,542)	(899)	(695)	(110,782)
Net financial (liabilities)/assets	(59,927)	94	(822)	(694)	(61,349)
Less:					
Net financial liabilities/(assets) denominated in respective entities' functional currencies	59,927	(355)	(36)	–	
Net intercompany receivables denominated in respective entities' functional currencies	–	(3,498)	–	–	
Currency exposure	–	(3,759)	(858)	(694)	

Notes to the Financial Statements

For the financial year ended 31 December 2018

25. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Company's currency exposure, based on the information provided to key management, is as follows:

	HKD $'000	SGD $'000	USD $'000	Total $'000
At 31 December 2018				
Financial assets				
Cash and cash equivalents	**8,309**	**359**	**17**	**8,685**
Trade and other receivables	**–**	**18**	**–**	**18**
	8,309	**377**	**17**	**8,703**
Financial liabilities				
Borrowings	**(12,973)**	**–**	**–**	**(12,973)**
Other financial liabilities	**(445)**	**(3,171)**	**(779)**	**(4,395)**
	(13,418)	**(3,171)**	**(779)**	**(17,368)**
Net financial liabilities	**(5,109)**	**(2,794)**	**(762)**	
Currency exposure after deducting net financial liabilities denominated in the Company's functional currency	**–**	**(2,794)**	**(762)**	
At 31 December 2017				
Financial assets				
Cash and cash equivalents	43,731	463	14	44,208
Trade and other receivables	–	5	–	5
Other financial assets	–	1	–	1
	43,731	469	14	44,214
Financial liabilities				
Borrowings	(10,309)	–	–	(10,309)
Other financial liabilities	(3,508)	(6,618)	(37)	(10,163)
	(13,817)	(6,618)	(37)	(20,472)
Net financial assets/(liabilities)	29,914	(6,149)	(23)	
Currency exposure after deducting net financial liabilities denominated in the Company's functional currency	–	(6,149)	(23)	

Notes to the Financial Statements

For the financial year ended 31 December 2018

25. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The Company's currency exposure, based on the information provided to key management, is as follows: (continued)

	HKD $'000	SGD $'000	USD $'000	Total $'000
At 1 January 2017				
Financial assets				
Cash and cash equivalents	31,115	190	11	31,316
Trade and other receivables	–	6	–	6
Other financial assets	–	1	–	1
	31,115	197	11	31,323
Financial liabilities				
Borrowings	(100,814)	–	–	(100,814)
Other financial liabilities	(3,784)	(3,941)	(191)	(7,916)
	(104,598)	(3,941)	(191)	(108,730)
Net financial liabilities	(73,483)	(3,744)	(180)	
Currency exposure after deducting net financial liabilities denominated in the Company's functional currency	–	(3,744)	(180)	

If the value of the USD and SGD change against the HKD by 6% (31 December 2017: 9%; 1 January 2017: 8%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	Increase/(Decrease)					
	31 December 2018		31 December 2017		1 January 2017	
	Profit after tax $'000	**Other comprehensive income $'000**	Profit after tax $'000	Other comprehensive income $'000	Profit after tax $'000	Other comprehensive income $'000
Group						
USD against HKD						
– strengthened	**(49)**	**–**	14	–	(57)	–
– weakened	**49**	**–**	(14)	–	57	–
SGD against HKD						
– strengthened	**(8)**	**(132)**	(1)	(459)	(18)	(232)
– weakened	**8**	**132**	1	459	18	232
Company						
USD against HKD						
– strengthened	**(38)**	**–**	(2)	–	(12)	–
– weakened	**38**	**–**	2	–	12	–
SGD against HKD						
– strengthened	**(139)**	**–**	(459)	–	(249)	–
– weakened	**139**	**–**	459	–	249	–

Notes to the Financial Statements

For the financial year ended 31 December 2018

25. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified as financial assets at FVOCI and available-for-sale.

These securities consist of listed equity securities in Hong Kong and unlisted equity securities in Cayman Islands and Japan.

The Group is not exposed to commodity price risk. To manage price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of its portfolio is done in accordance with limits set by the Group.

If prices for the listed equity securities in Hong Kong and unlisted equity securities in Cayman Islands and Japan change by 6% (31 December 2017: 14%; 1 January 2017: 13%) with all other variables including tax rate being held constant, the total profit and other comprehensive income will be as follows:

	Increase/(Decrease)					
	31 December 2018		31 December 2017		1 January 2017	
	Profit after tax $'000	**Other comprehensive income $'000**	Profit after tax $'000	Other comprehensive income $'000	Profit after tax $'000	Other comprehensive income $'000
Group						
Listed in Hong Kong						
– increased by	**–**	**15,304**	–	26,173	–	25,216
– decreased by	**–**	**(15,304)**	–	(26,173)	–	(25,216)
Unlisted in Cayman Islands						
– increased by	**–**	**4,054**	–	4,170	–	4,378
– decreased by	**–**	**(4,054)**	–	(4,170)	–	(4,378)
Unlisted in Japan						
– increased by	**–**	**4**	–	–	–	–
– decreased by	**–**	**(4)**	–	–	–	–
Company						
Listed in Hong Kong						
– increased by	**–**	**14,339**	–	26,173	–	25,216
– decreased by	**–**	**(14,339)**	–	(26,173)	–	(25,216)

(iii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Company and the Group have insignificant exposure to cash flow interest rate risks.

Notes to the Financial Statements

For the financial year ended 31 December 2018

25. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

For trade receivables, the Group adopts the policy of dealing only with external customers with appropriate credit standing and history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. As these policies have been applied consistently, the Group does not expect to incur material credit losses on these financial assets.

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instrument is the carrying amount of that class of financial instrument presented in the balance sheet.

The Group's and Company's major classes of financial assets are bank deposits, trade and other receivables and financial assets, at FVOCI. These assets are subject to immaterial credit loss.

The credit risk for trade and other receivables, based on the information provided to key management, is as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
By geographical areas						
Singapore	**45**	64	18	**14**	5	6
Hong Kong	**44**	11	9	**–**	–	–
Cayman Islands	**13**	39	–	**4**	–	–
	102	114	27	**18**	5	6
By types of customers						
Non-related parties	**32**	100	12	**9**	5	6
Other related parties	**70**	14	15	**9**	–	–
	102	114	27	**18**	5	6

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and the Company, and are expected to be collected within 12 months from the balance sheet date.

Notes to the Financial Statements

For the financial year ended 31 December 2018

25. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(ii) *Financial assets that are past due and/or impaired*

The Group and the Company do not have any receivables that are past due but not impaired.

The carrying amount of trade and other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Gross amount	**60,372**	60,372	60,372	**596**	596	596
Less: Allowance for impairment	**(60,372)**	(60,372)	(60,372)	**(596)**	(596)	(596)
	–	–	–	**–**	–	–
Beginning of financial year	**60,372**	60,372	60,400	**596**	596	624
Allowance utilised	**–**	–	(28)	**–**	–	(28)
End of financial year	**60,372**	60,372	60,372	**596**	596	596

The Group and the Company do not have further dealings with the counterparties to these impaired receivables.

(c) Liquidity risk

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year $'000	Between 1 and 5 years $'000
Group		
At 31 December 2018		
Trade and other payables	**3,011**	**–**
Borrowings	**13,138**	**9**
	16,149	**9**
At 31 December 2017		
Trade and other payables	2,034	–
Borrowings	10,775	27
	12,809	27
At 1 January 2017		
Trade and other payables	2,729	–
Borrowings	101,229	46
	103,958	46

Notes to the Financial Statements

For the financial year ended 31 December 2018

25. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Less than 1 year $'000	Between 1 and 5 years $'000
Company		
At 31 December 2018		
Trade and other payables	**4,395**	**–**
Borrowings	**13,011**	**–**
	17,406	**–**
At 31 December 2017		
Trade and other payables	10,163	–
Borrowings	10,326	–
	20,489	–
At 1 January 2017		
Trade and other payables	7,916	–
Borrowings	100,973	–
	108,889	–

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors its capital based on total capital. Total capital is calculated as capital and reserves attributable to equity holders of the Company plus net debt. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Net debt	**3,010**	(48,012)	61,473	**8,683**	(23,736)	77,414
Capital and reserves attributable to equity holders of the Company	**1,405,334**	1,385,439	1,042,275	**1,435,932**	1,348,995	1,355,813
Total capital	**1,408,344**	1,337,427	1,103,748	**1,444,615**	1,325,259	1,433,227

There are no externally imposed capital requirements for the financial years ended 31 December 2017 and 2018.

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25. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value measurements

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices) (Level 2); and

(iii) inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
31 December 2018				
Assets				
Financial assets, at FVOCI	**307,314**	**48,459**	**33,012**	**388,785**
31 December 2017				
Assets				
Available-for-sale financial assets	225,243	320	35,567	261,130
1 January 2017				
Assets				
Available-for-sale financial assets	233,696	4,744	35,833	274,273
Company				
31 December 2018				
Assets				
Financial assets, at FVOCI	**287,937**	**–**	**–**	**287,937**
31 December 2017				
Assets				
Available-for-sale financial assets	225,243	–	–	225,243
1 January 2017				
Assets				
Available-for-sale financial assets	233,696	–	–	233,696

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the closing prices. These instruments are included in Level 1.

The fair values of financial assets at FVOCI and available-for-sale held in funds based on values reflected in statements from fund managers are included in Level 2.

25. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value measurements (continued)

The following table presents the changes in Level 3 instruments.

	Group	
	2018	2017
	$'000	$'000
Financial assets at FVOCI and available-for-sale		
Beginning of financial year	**35,567**	35,833
Currency translation differences	**865**	(2,344)
Addition	**73**	–
Refund of capital contribution	**(3,610)**	(7,466)
Fair value gains recognised in other comprehensive income	**117**	9,544
End of financial year	**33,012**	35,567

The following table presents the valuation techniques and key inputs that were used to determine the fair value of financial instruments categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at			Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
	31 December		1 January				
	2018	2017	2017				
	$'000	$'000	$'000				
Unquoted equity securities	33,012	35,567	35,833	Net asset value #	Net asset value	Not applicable	The higher the net asset value, the higher is the fair value.

Unquoted equity securities are valued based on the net asset value per share as reported by the investee. The net assets of the investee is principally made up of quoted equity instruments that are carried at fair value.

The Group's finance team assesses the fair value of financial assets at FVOCI and available-for-sale on a quarterly basis.

The carrying values less impairment provision of trade and other receivables and trade and other payables are assumed to approximate their fair values. The fair values of current borrowings approximate their carrying amounts.

(f) Financial instruments by category

The carrying amount of different categories of financial instruments is as disclosed on the face of the balance sheet and in Notes 13 and 14, respectively, to the financial statements, except for the following:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Financial assets, at amortised cost	**13,297**	61,029	42,491	**8,704**	44,214	31,323
Financial liabilities, at amortised cost	**16,119**	12,817	103,840	**17,368**	20,472	108,730

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26. GROUP CORPORATIONS

Details of the subsidiary corporations and associated corporations are as follows:

Name of company (country of incorporation)	Principal activities (place of business)	Carrying amount of investment			Percentage of equity held by the Group		
		31 December		1 January	31 December		1 January
		2018	2017	2017	**2018**	2017	2017
		$'000	$'000	$'000	**%**	%	%
Subsidiary corporations directly held by the Company							
[a] PCRD Services Pte Ltd (Singapore)	Investment holding, business management and consultancy services (Singapore)	**21,398**	20,971	22,787	**100**	100	100
[f] Surrey Investments Pte. Ltd. (Singapore)	Liquidated	**–**	–	–	**–**	–	100
[a] Gladioli Investments Pte Ltd (Singapore)	Dormant	**292**	44,544	48,403	**100**	100	100
[a] Riyan Pte Ltd (Singapore)	Dormant	**–**	–	–	**100**	100	100
[a] Elsmore Pte Ltd (Singapore)	Investment holding (Singapore)	**48,596**	4,008	4,744	**100**	100	100
[a] Leapford Pte. Ltd. (Singapore)	Investment holding (Singapore)	**20,635**	–*	–*	**100**	100	100
[b] Pacific Century Regional Developments (HK) Limited (Hong Kong)	Business management and consultancy services (Hong Kong)	**36,030**	29,144	32,727	**100**	100	100
[g] Carander Corporation (British Virgin Islands)	Liquidated	**–**	–*	–*	**–**	100	100
[c] Telegraph Investments Limited (British Virgin Islands)	Dormant	**–**	–	–	**100**	100	100
[c] Valuable Enterprises Limited (British Virgin Islands)	Dormant	**–**	–	–	**100**	100	100
[c] Starvest Limited (Cayman Islands)	Dormant	**–**	–	–	**100**	100	100
[d] PCRD Investments Limited (Hong Kong)	Dormant	**–***	–*	–*	**100**	100	100
		126,951	98,667	108,661			

Notes to the Financial Statements

For the financial year ended 31 December 2018

26. GROUP CORPORATIONS (continued)

Details of the subsidiary corporations and associated corporations are as follows: (continued)

Name of company (country of incorporation)	Principal activities (place of business)	Carrying amount of investment			Percentage of equity held by the Group		
		31 December		1 January	31 December		1 January
		2018	2017	2017	**2018**	2017	2017
		$'000	$'000	$'000	**%**	%	%
Associated corporation held by the Company							
[b] PCCW Limited (Hong Kong)	Provision of local and international telecommunications and information technology services, technology-related businesses, and investment holding (Hong Kong)	**1,031,182**	1,010,578	1,098,119	**22.7**	22.7	22.7
		1,031,182	1,010,578	1,098,119			
Subsidiary corporations indirectly held by the Company							
[c] City Ventures Global Limited (Cayman Islands)	Investment holding (Cayman Islands)				**100**	100	100
[c] Prosper Global Investments Limited (Cayman Islands)	Investment holding (Cayman Islands)				**100**	100	100
Associated corporations indirectly held by the Company							
[e] KSH Distriparks Private Limited (India)	Rendering services for an Inland Container Depot, warehousing and third party logistics and transportation solutions (India)				**49.9**	49.9	49.9
[h] KSH Infra Private Limited (India)	Developing and managing warehouses and industrial parks (India)				**49.9**	–	–

* Less than $1,000
[a] Audited by PricewaterhouseCoopers LLP, Singapore
[b] Audited by PricewaterhouseCoopers, Hong Kong
[c] A corporation not requiring audit under the laws in its country of incorporation
[d] Audited by Abacus CPA Limited, Hong Kong
[e] Audited by BSR & Co. LLP, India
[f] Liquidated in 2017
[g] Liquidated in 2018
[h] Disposed in 2019 (Note 12)

Notes to the Financial Statements

For the financial year ended 31 December 2018

27. RELATED PARTY TRANSACTIONS

(a) In addition to information disclosed elsewhere in the financial statements, the following transactions took place between the Group and its related parties during the year, on terms agreed between the respective parties:

	Group	
	2018	2017
	$'000	$'000
Management services rendered to:		
– associated corporations	**10**	3
– other related parties *	**28**	28
Payments made on behalf of and reimbursable by		
– associated corporations	**291**	232
– other related parties *	**33**	33
Payments made on behalf by and reimbursable to		
– associated corporations	**589**	30
– other related parties *	**338**	380

* *The above other related parties comprise mainly of companies which are controlled or significantly influenced by the Group's key management personnel.*

(b) Key management personnel compensation is as follows:

	Group	
	2018	2017
	$'000	$'000
Wages, salaries and other short-term employee benefits	**1,265**	1,347
Employer's contribution to defined contribution plans including Central Provident Fund	**35**	35
	1,300	1,382

28. DIVIDENDS

	Company	
	2018	2017
	$'000	$'000
Ordinary dividends		
Final dividend paid in respect of the previous financial year of 2.2 cents (2017: nil) per share	**58,294**	–

Notes to the Financial Statements

For the financial year ended 31 December 2018

29. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

Annual periods commencing on	Description
1 January 2019	SFRS(I) INT 23 Uncertainty over Income Tax Treatments
1 January 2019	Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures
1 January 2019	Annual Improvements SFRS(I)s 2015-2017 Cycle
To be determined	Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

30. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Pacific Century Regional Developments Limited on 7 March 2019.

Report on Corporate Governance

Pacific Century Regional Developments Limited ("PCRD" or the "Company") is committed to upholding high standards of corporate governance in conformity with the Code of Corporate Governance issued by the Singapore Exchange Securities Trading Limited ("SGX").

PCRD supports the principles underpinning best practice in corporate governance. The challenge, as PCRD sees it, is not simply to put the various elements of good corporate governance in place but also to ensure that these elements are effectively integrated, well understood, and appropriately applied. Importantly, also, an appropriate balance must be maintained between the conformance and performance roles of the Board and its Committees.

PCRD has always recognised that improving corporate governance is a continuous process and if implemented effectively, good corporate governance practices provide the integrated strategic framework necessary to achieve required performance outputs and outcomes, as well as discharging the Company's accountability obligations.

This report describes the Company's corporate governance practices during the financial year ended 31 December 2018 ("FY2018") with specific reference to the Code of Corporate Governance 2012 (the "Code"). The Company has complied in all material respects with the principles of the Code. Deviations from the Code, if any, are explained under the respective sections.

BOARD OF DIRECTORS

Principle 1: Board's Conduct of Affairs

The Board:

1. Acts as the ultimate decision-making body of the Company, except with respect to those matters reserved to shareholders. Directors take decisions objectively in the interests of the Company.

2. Represents shareholders' interest in developing the Company's businesses to successfully optimise long-term financial returns.

3. Reviews and evaluates management performance and ensures that Management is capably executing its responsibilities.

4. Acts as an advisor and counselor to senior management.

5. Identifies key stakeholder groups, sets the Company's values and standards, and recognises and ensures its legal, social and moral obligations towards shareholders and stakeholders are understood and met.

Specifically, the Board is responsible for:

1. Providing entrepreneurial leadership, formulation of policies and strategies (including consideration of sustainability issues), ensuring that the necessary financial and human resources are in place for the Company to meet its objectives and overseeing the management of the Company as a whole.

2. Approving of major funding, investment and divestment proposals.

3. Overseeing the processes for evaluating the adequacy and effectiveness of internal controls and risk management, including safeguarding of the Company's assets and shareholders' interests.

4. Approving the nominations of board directors.

5. Assuming responsibility for compliance with the Companies Act, Chapter 50 ("Companies Act") and the rules and requirements of regulatory bodies.

Report on Corporate Governance

BOARD OF DIRECTORS (continued)

Matters that are specifically reserved to the full Board for decision are those involving material acquisitions and disposals of assets, corporate or financial restructuring, share issuances, share buy-backs and dividends. Under internal guidelines adopted by the Company, specific Board approval is required for any investment or expenditure exceeding US$50 million (or its equivalent in any other currency) in total. To facilitate effective management, certain functions have been delegated by the Board to Board Committees namely, the Executive Committee, the Audit Committee, the Nominating Committee and the Remuneration Committee.

The Board meets at least four times a year and as warranted by circumstances. The Company's Constitution allows a board meeting to be conducted by way of videoconference, teleconference and other forms of electronic communication. Attendances of directors at meetings of the Board and Board Committees in 2018 were as follows:

	Board		Audit		Nominating		Remuneration	
Name	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Richard Li Tzar Kai	4	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Francis Yuen Tin Fan	4	4	4	4	n.a.	n.a.	1	1
Peter A. Allen	4	4	n.a.	3*	n.a.	2*	n.a.	1*
Alexander Anthony Arena[1]	4	3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Tom Yee Lat Shing	4	4	4	4	2	2	1	1
Frances Wong Waikwun	4	3	4	4	2	2	n.a.	n.a.
Laura Deal Lacey	4	3	n.a.	n.a.	2	2	1	1
W. Michael Verge	4	4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Christopher John Fossick[2]	4	1	4	1	n.a.	n.a.	n.a.	n.a.

* By invitation
n.a. Not applicable
[1] Retired as a Director with effect from 30 August 2018
[2] Appointed as a Director with effect from 13 August 2018

New directors are briefed on the Group's business and corporate governance policies. Upon appointment of each new director, PCRD provides a formal letter to the director setting out the director's duties and obligations. Familiarisation visits are organised and funded, as necessary, to facilitate a better understanding of the Group's operations. Whilst there are no formal continuing training programmes for existing directors, briefing sessions and training (including by external professional legal and financial advisors), particularly on relevant new laws, regulations and changing commercial risks, are conducted or provided at the Company's expense when necessary.

Principle 2: Board Composition and Guidance

The Board currently comprises eight directors of whom two are executive directors, one is a non-executive director and five are independent non-executive directors.

The executive directors are the Chairman of the Board, Mr. Richard Li Tzar Kai, and the Group Managing Director, Mr. Peter A. Allen. The non-executive director is Mr. W. Michael Verge.

The five independent non-executive directors are the Deputy Chairman, Mr. Francis Yuen Tin Fan, Mr. Tom Yee Lat Shing (Lead Independent Director), Ms. Frances Wong Waikwun, Ms. Laura Deal Lacey and Mr. Christopher John Fossick.

Report on Corporate Governance

BOARD OF DIRECTORS (continued)

The Nominating Committee is responsible for reviewing at least annually the actual structure, size and composition of the Board (including the skills, knowledge, experience and degree of independence) compared to the attributes required by the Board and making recommendations to the Board with regard to any proposed changes.

In its annual review of the degree of independence based on a questionnaire on independence which directors are required to complete, the Nominating Committee adopts the Code's definition on what constitutes an independent director. The Board recognises the contribution of its independent directors who over time have developed a deep insight into the Company's businesses and who are therefore able to provide valuable contributions to the Company. In view of this invaluable insight and the appropriate fit of the present Board members to the current businesses of the Company, the Board has not set a fixed term of office for each of its independent directors so as to be able to retain the services of these directors.

The independence of any director who has served on the Board beyond nine years from the date of his first appointment is subject to particularly rigorous review. Mr. Tom Yee Lat Shing and Mr. Francis Yuen Tin Fan have served on the Board for more than nine years and as a result, the Board has reviewed the extent to which they remain independent. Following this review which comprised an assessment of Mr. Yee's and Mr. Yuen's objective Board participation based on a review of Board and Board Committee meeting minutes and a questionnaire on independence which directors are required to complete, the Board is satisfied that, despite their length of tenure, Mr. Yee and Mr. Yuen are able to discharge their duties with professionalism and objectivity, and exercise strong independent judgement and act in the best interests of the Company and that therefore they remain independent. No other incumbent independent director has served in that capacity for more than nine years.

The profiles of directors are set out on pages 4 to 5 of this Annual Report.

Members of the Board of Directors are drawn from a range of professional disciplines and all directors have prior relevant practical experience. The Board communicates regularly through the Company Secretary to ensure that alternative views are obtained before embarking on transactions, as well as to ensure that there is an adequate flow of information.

The Board considers its current Board structure, size and composition appropriate for the Group's present scope and nature of operations. The Board has the right mix of skills, experience and gender to provide the Company with the necessary management, financial, business and industry knowledge. Non-executive directors constructively challenge and help develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance. The non-executive directors meet without the presence of Management on a need-be basis, and from time to time communicate via telephonic conferences to discuss issues relating to board processes, corporate governance initiatives and other matters to be discussed during Board meetings.

Additional information on the Directors who are proposed to be re-elected at Annual General Meeting 2019 is as follows:

Name of Directors	Richard Li Tzar Kai	Francis Yuen Tin Fan	Frances Wong Waikwun	Christopher John Fossick
Age	52	66	57	58
Date of Appointment	8 September 1994	15 March 2005	1 June 2013	13 August 2018
Date of last re-appointment (if applicable)	31 March 2017 (re-elected)	31 March 2017 (re-elected)	22 April 2016 (re-elected)	N/A
Country of principal residence	Hong Kong	Hong Kong	Hong Kong	Singapore
Whether appointment is executive, and if so, the area of responsibility	Yes, Executive Chairman	No	No	No

Report on Corporate Governance

BOARD OF DIRECTORS (continued)

Name of Directors	Richard Li Tzar Kai	Francis Yuen Tin Fan	Frances Wong Waikwun	Christopher John Fossick
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	1. Executive Chairman 2. Chairman of Executive Committee	1. Independent Non- Executive Deputy Chairman 2. Chairman of the Remuneration Committee 3. Member of the Audit Committee	1. Independent Non-Executive Director 2. Chairman of the Nominating Committee 3. Member of the Audit Committee	1. Independent Non-Executive Director 2. Member of the Nominating Committee 3. Member of the Audit Committee
Professional qualifications	–	Bachelor of Arts degree in Economics from the University of Chicago	1. Master of Science degree from the Massachusetts Institute of Technology 2. Bachelor of Science degree at Stanford University	1. Master of Business Administration from the University of Chicago 2. Bachelor of Science in Estate Management from the University of Glamorgan, UK
Working experience and occupation(s) during the past 10 years	Director	Director	Director	Director
Shareholding interest in the listed issuer and its subsidiaries	28,167,000 shares in the Company held by Hopestar Holdings Limited, a company 100% owned by Mr. Li.	No	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Please refer to Note 1 on page 117 of the 2018 Annual Report	No	No	No
Other Principal Commitments Including Directorships	Chairman and Chief Executive of the Pacific Century Group	Chairman of the Advisory Board of Ortus Capital Management Limited	Financial advisor of Good Harbour Finance Limited	Managing Director, Singapore and South East Asia at Jones Lang Lasalle Asia Pacific
Past (for the last 5 years) – Directorship in Listed entities	The Bank of East Asia Limited	China Food Limited	None	None
Present – Directorship in Listed entities	1. PCCW Limited 2. HKT Limited 3. Pacific Century Premium Developments Limited	1. Agricultural Bank of China Limited 2. Shanghai Industrial Holdings Limited 3. Yixin Group Limited	1. PCCW Limited 2. HKT Limited	None

Report on Corporate Governance

BOARD OF DIRECTORS (continued)

The Directors seeking re-election at the Annual General Meeting 2019, namely, Mr. Richard Li Tzar Kai, Mr. Francis Yuen Tin Fan, Ms. Frances Wong Waikwun and Mr. Christopher John Fossick, have each:

- Provided an undertaking in the format set out in Appendix 7.7 under Rule 720(1) of the SGX Listing Manual.
- Confirmed that he/she has no conflict of interest (including any competing business).
- Confirmed that he/she has prior experience as a director of an issuer listed on the SGX-ST as he/she is currently a Director of the Company.
- Confirmed that his/her responses under items (a) to (k) of Appendix 7.4.1 of the SGX Listing Manual are all "No", save that Mr. Richard Li Tzar Kai's response to item (f) of Appendix 7.4.1 is "Yes. Mr. Li has been named as a defendant in a claim by certain shareholders of a defunct automaker, Fisker Automotive, Inc. (Fisker), that is pending in the United States District Court for the District of Delaware. Mr. Li was an investor in Fisker and, for a limited period of time, served as a non-executive Director on Fisker's Board of Directors. The claim asserts claims pursuant to Section 10(b) and Section 20 of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder. It is not unusual for such actions to be commenced in the United States against directors of companies that suffered a loss in the value of their shares. Mr. Li believes the allegations against him to be without merit and is vigorously contesting them. This matter is considered not material and is unrelated to the Company."

The above Directors are proposed for re-appointment to ensure that the Board continues to have the right mix of skills, experience and gender to provide the Company with the necessary management, financial, business and industry knowledge.

Principle 3: Chairman and Group Managing Director

The Chairman, Mr. Richard Li Tzar Kai, is an executive director and his role is separate from that of Mr. Peter A. Allen, the Group Managing Director. This is to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman is assisted by an Executive Committee comprising himself and Mr. Peter A. Allen. The Group Managing Director is responsible for the workings of the Board as well as ensuring conformity by Management with corporate governance policies laid down by the Board. The Chairman ensures that board meetings are held when necessary and sets the board meeting agenda in consultation with the Group Managing Director. The Chairman also:

1. Leads the Board to ensure its effectiveness in all aspects of its role;
2. Sets the agenda and ensures that adequate time is available for discussion of all agenda items, including strategic issues;
3. Promotes a culture of openness and debate at the Board;
4. Ensures that directors receive complete, accurate, timely and clear information;
5. Ensures effective communication with shareholders;
6. Encourages constructive relations within the Board and between the Board and Management;
7. Facilitates the effective contribution of non-executive directors;
8. Encourages constructive relations between executive directors and non-executive directors; and
9. Promotes high standards of corporate governance.

Report on Corporate Governance

BOARD OF DIRECTORS (continued)

As the Chairman is not an independent director and is part of the management team, the Company has appointed a Lead Independent Director ("LID") in line with the recommendations of the Code. The Company's LID is Mr. Tom Yee Lat Shing. The LID is available to shareholders in cases where they have concerns which contact through the normal channels of the Chairman or the Group Managing Director has failed to resolve or is inappropriate. The LID and other independent directors meet periodically without the presence of the other directors, and the LID provides feedback to the Chairman after such meetings.

Principle 6: Access to Information

In order to ensure that the Board is able to fulfill its responsibilities, Board members have full co-operation from Management in providing the Board with key information in a complete, adequate and timely manner and access to company records and information on an on-going basis. In furtherance of the same, each of the directors has been provided with the contact numbers and e-mail addresses of all other PCRD directors, senior management and the Company Secretary.

Board papers, including sufficient background information on matters to be brought before the Board such as business strategies and summaries of disclosure documents, are circulated to Board members prior to meetings by the Company Secretary. Minutes of all Board and Board Committee meetings are also circulated to Board members periodically. The Board is updated on the status of the performance of subsidiary companies ("subsidiary corporations" and each, a "subsidiary corporation") and associated corporations ("associated corporations" and each, an "associated corporation") and the Company also provides independent directors with relevant background and explanatory information to enable them to understand its business and financial environment as well as risks faced by the Company.

The Board has separate and independent access to the Company Secretary and senior management of the Company as and when the need arises.

The Company Secretary's role includes advising the Board on all governance matters. Should directors, whether individually or as a group, need independent professional advice in relation to the conduct of his or their duties, the Company Secretary will, upon direction by the Board, appoint a professional advisor selected by the individual or individuals concerned and approved by the executive directors to render advice. The cost of such professional advice is borne by the Company.

The Company Secretary or his assistant attends all Board meetings and is responsible for ensuring that Board procedures are followed. It is the Company Secretary's responsibility to ensure that the Company complies with the requirements of the Companies Act and all other rules and regulations which are applicable to the Company and that Board members are fully briefed on these and have regard to them when taking decisions. The Company Secretary's responsibilities also include ensuring good information flows within the Board and its Board Committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required.

The appointment and the removal of the Company Secretary is a matter for the Board as a whole.

Report on Corporate Governance

BOARD COMMITTEES

The Board and Board Committees do not have direct oversight over the affairs of PCCW Limited ("PCCW") as this company is listed on The Stock Exchange of Hong Kong Limited whose high regulatory standards allow the Board and Board Committees of the Company to rely on the board and board committees of PCCW to oversee their own operations.

NOMINATING COMMITTEE

Principle 4: Board Membership

The Nominating Committee was formed on 5 December 2002.

The Nominating Committee currently comprises three independent directors namely, Ms. Frances Wong Waikwun (Chairwoman), Ms. Laura Deal Lacey and Mr. Christopher John Fossick (appointed as a Director and member of the Nominating Committee on 13 August 2018). Mr. Tom Yee Lat Shing was a member of the Nominating Committee of the Company during FY2018, up to 13 August 2018.

The duties and responsibilities of the Nominating Committee (as set out in its terms of reference) are as follows:

1. To assess the skills represented on the Board by directors and determine whether those skills meet the required standard to competently discharge the Board's duties, having regard to the strategic direction of the Company, and to make recommendations to the Board on individuals it considers appropriate for appointment or re-appointment.

2. To implement a process for identification of suitable candidates for appointment to the Board and assess the independence of appointees in accordance with the guidelines contained in the Code.

3. To evaluate and assess the effectiveness of the Board as a whole by establishing a process for conducting reviews of all Board members by such means as it considers appropriate.

New directors and retiring directors seeking re-election are recommended to the Board, after the Nominating Committee has agreed to their nomination. Article 99 of the Company's Constitution provides that one-third of the Board of Directors is to retire from office by rotation and is subject to re-election at the Company's Annual General Meeting ("AGM") and every director is to submit himself for re-election at least once every 3 years. In addition, Article 105 of the Company's Constitution provides that a newly appointed director must retire and submit himself for re-election at the next AGM following his initial appointment.

Report on Corporate Governance

NOMINATING COMMITTEE (continued)

The date of appointment and last re-election of each director, together with their directorships or chairmanships both present and those held in the preceding three years in other listed companies are set out below:

Name of Director	Appointment	Date of initial appointment	Date of last re-election/ re-appointment	Directorships or chairmanships both present and those held over the preceding three years in other listed companies
Richard Li Tzar Kai	Executive	08.09.94	31.03.17	Present – PCCW Limited – HKT Limited – Pacific Century Premium Developments Limited Past 3 years – The Bank of East Asia, Limited
Francis Yuen Tin Fan	Non-Executive/ Independent	15.03.05	31.03.17	Present – Agricultural Bank of China Limited – Shanghai Industrial Holdings Limited – Yixin Group Limited Past 3 years – China Foods Limited
Peter A. Allen	Executive	01.11.97	23.04.18	Present – HKT Limited
Tom Yee Lat Shing	Non-Executive/ Independent	19.04.91	23.04.18	Present – Bonvests Holdings Limited – Powermatic Data Systems Limited Past 3 years – Cosco Shipping International (Singapore) Co Ltd (formerly "Cosco Corporation (Singapore) Limited")
Frances Wong Waikwun	Non-Executive/ Independent	01.06.13	22.04.16	Present – PCCW Limited – HKT Limited
Laura Deal Lacey	Non-Executive/ Independent	12.02.15	31.03.17	None
W. Michael Verge	Non-Executive	11.08.17	23.04.18	None
Christopher John Fossick	Non-Executive/ Independent	13.08.18	n.a.	None

n.a. Not applicable

Key information regarding directors, including academic and professional qualifications, is set out on pages 4 to 5 of this Annual Report.

Report on Corporate Governance

NOMINATING COMMITTEE (continued)

The process for selection and appointment of new directors to the Board is carried out when necessary by the Nominating Committee. The Nominating Committee initiates and executes a process to search for and identify suitable candidates for nomination to the Board for appointment, taking into consideration the core competencies required to meet the needs of the Company and the competencies of the existing directors. In selecting potential new directors, the Nominating Committee seeks to identify the range of expertise and competencies, such as, broad commercial experience in fund management, property and financial services industries and in the legal field, as well as appropriate financial qualifications and other skills required to enable the Board to fulfill its responsibilities. The need to maximise the effectiveness of the Board is taken into consideration. In so doing, the Nominating Committee has regard to the results of an annual appraisal of the Board's performance. The Nominating Committee may engage recruitment consultants to undertake research on, or assess, candidates for new positions on the Board, or to engage such other independent experts as the Committee considers necessary to assist it in carrying out its duties and responsibilities. The Nominating Committee, having considered the composition of the Board in relation to the needs of the Company and its businesses, prepares a shortlist of candidates with the appropriate profile for nomination.

The Board does not appoint alternate directors. Alternate directors would only be appointed in exceptional cases such as when a director has a medical emergency.

Principle 5: Board Performance

The Nominating Committee evaluates the Board's performance as a whole and assesses the effectiveness of the Board Committees annually based on performance criteria (determined by the Nominating Committee and approved by the Board) which include an evaluation of the size and composition of the Board, the Board's access to information, Board performance in relation to discharging its principal functions, fiduciary duties and communication with senior management. These performance criteria also include certain financial indicators as a guide to directors such as the company's share price performance over a five-year period compared to the Singapore Straits Times Index and its industry peers, return on assets, return on equity and return on investment as well as other measures of the Board's performance such as the accretion in value of its major investments. PCCW, which comprises the bulk of the inherent value of PCRD, is managed on a day-to-day basis by a separate board and professional management team. The performance criteria do not change from year to year, unless the Nominating Committee is of the view that it is necessary to change the performance criteria, for example, in order to align with any changes to the Code. The evaluation of the Board and Board Committees includes the completion of a Board and Board Committee Evaluation Form by each director. The Nominating Committee collates the responses into a report which is discussed at a Nominating Committee meeting.

In its assessment of the contribution of each individual director to the effectiveness of the Board and Board Committees (including discussion of re-nomination of directors for re-appointment), the Nominating Committee takes into consideration their respective preparedness, commitment, participation, attendance at Board and Board Committee meetings and whether they have the essential skills to competently discharge the Board's duties. As part of the review process (which takes into account the assessment of each individual director which is facilitated by the completion of a Director Evaluation Form by each director, attendance at Board and/or Board Committee meetings and the level of commitment required by a director's other board representations or principal commitments), directors must demonstrate that they are able to give sufficient time and attention to the affairs of PCRD, particularly when a director holds multiple board appointments or other principal commitments. After considering the competing time commitments faced by directors who serve on multiple boards and the level of activities of the Company, the Board has determined that the maximum number of listed company board representations which any director may hold is five. This number will be reviewed in future years to take into account any changes in the nature and activities of the Company. The Board is satisfied that the directors are able to adequately carry out their respective duties and responsibilities as directors of the Company.

Each director is required to individually complete a Director Evaluation Form to facilitate the deliberations of the Nominating Committee in its assessment of the Board. The form is designed to assess each director's performance and commitment to the Company's affairs, his understanding of the Company's strategies and operations, business developments, corporate goals and objectives of the Company, his contribution to the development of the Company's strategies and policies and to identify areas for improvement.

Report on Corporate Governance

NOMINATING COMMITTEE (continued)

The Nominating Committee collates and reviews the feedback from these evaluations and recommends any actions required for improvement to the Board. The Chairman takes careful note of the results of the performance evaluations by the Nominating Committee and, where appropriate, may propose new members to be appointed to the Board and Board Committees or seek the resignation of directors, in consultation with the Nominating Committee.

Based on the Board's assessment and review, the Board has met its performance objectives. The Board and its Board Committees have operated effectively and each Director has contributed to the effectiveness of the Board.

AUDIT COMMITTEE

Principle 12: Audit Committee

The Audit Committee was formed on 19 April 1991. The Audit Committee comprises four independent non-executive directors namely, Mr. Tom Yee Lat Shing (Chairman), Mr. Francis Yuen Tin Fan, Ms. Frances Wong Waikwun and Mr. Christopher John Fossick (appointed as a Director and member of the Audit Committee on 13 August 2018). The Board considers that Mr. Tom Yee Lat Shing, a Chartered Accountant who has more than 35 years of experience in the field of accounting and auditing and extensive experience in handling major audit assignments of public listed and private companies, is well qualified to chair the Audit Committee. Mr. Francis Yuen Tin Fan and Ms. Frances Wong Waikwun collectively have strong accounting and financial management expertise and experience. Mr. Christopher John Fossick has many years of experience and a strong track record in the commercial real estate business in Singapore, Asia and the UK and has spearheaded the development, analysis and marketing of numerous major commercial developments. More details on these directors' qualifications and experience can be found in the profiles of directors set out on pages 4 to 5 of this Annual Report. The Board is satisfied that the Audit Committee members' collective wealth of experience and expertise in accounting and financial management enables them to discharge their responsibilities competently. None of the members of the Audit Committee were previous partners or directors of the Company's auditor, PricewaterhouseCoopers LLP ("PricewaterhouseCoopers"), within the previous 12 months, and none of the members of the Audit Committee hold any interest in PricewaterhouseCoopers.

The Audit Committee performs the following main functions:

1. Reviews the independence of external auditors and recommends to the Board of Directors whether the external auditors be re-appointed.

2. Reviews with management, upon finalisation and prior to publication, the financial results for each quarter, half-year and full year.

3. Reviews interested person transactions and the adequacy of PCRD's internal control procedures in relation to interested person transactions.

4. Reviews compliance with accounting standards, all relevant laws, the listing rules of the SGX and the Code.

5. Reviews any changes in accounting principles or their application during the year.

6. Reviews significant adjustments proposed and any recommendations on internal accounting controls arising from the statutory audit by the external auditors.

7. Reviews the audit plans of the external auditors of the Company and ensures the adequacy of the system of accounting controls and the co-operation given by management.

8. Reviews with PCRD's management the adequacy of the Company's internal controls in respect of management and business practices and reviews with management and external auditors significant accounting and auditing issues.

Report on Corporate Governance

AUDIT COMMITTEE (continued)

9. Reports to the Board or relevant authorities any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any relevant Singapore laws or other regulations, which has or is likely to have a material impact on PCRD's operating results.

10. Reviews the balance sheet of the Company and the consolidated financial statements of the Group for the financial year end before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group.

In the performance of its functions, the Audit Committee is empowered to investigate any activity of PCRD, and all employees must cooperate as requested by members of the Audit Committee.

The Audit Committee reviews arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in financial reporting or other matters and ensures arrangements are made for an independent investigation of such matters and appropriate follow up action.

The Audit Committee meets at least four times a year. The Audit Committee may invite any executive management team member to attend meetings, as they consider appropriate. The Audit Committee meets with the external auditors, without the presence of the Company's management, at least once a year.

PricewaterhouseCoopers reviews, in the course of its statutory audit, the effectiveness of the Company's material internal controls, focusing primarily on financial controls, with the aim of designing audit procedures that are appropriate to the Company's circumstances. Any material non-compliance noted during this review is reported to the Audit Committee together with the auditor's recommendations and management's comments.

For the financial statements under review, the Audit Committee has reviewed the scope and results of the audit, and the independence and objectivity of the external auditor and confirms that PricewaterhouseCoopers are independent chartered accountants with respect to the Company within the meaning of Section 10 of the Companies Act.

Fees paid for audit and non-audit services:

	2018 $'000	2017 $'000
Fees for audit services paid/payable to:		
– Auditor of the Company	**266**	273
– Other auditors*	**–**	–
Fees for non-audit services paid/payable to:		
– Auditor of the Company	**8**	–
– Other auditors*	**–**	–
Total	**274**	273

* Includes the network of member firms of PricewaterhouseCoopers International Limited

The Audit Committee is satisfied that Rules 712 and 715 or 716 of the SGX Listing Manual have been complied with and has recommended to the Board that PricewaterhouseCoopers be nominated for re-appointment as auditor at the next AGM.

Key Audit Matters

PricewaterhouseCoopers has highlighted 4 key audit matters in its Audit Report.

These key audit matters all relate to PCCW and were also highlighted by PricewaterhouseCoopers in Hong Kong in their audit report to the shareholders of PCCW.

AUDIT COMMITTEE (continued)

The key audit matters identified by PCCW's auditors for the financial year ended 31 December 2018 were:

1. Revenue recognition, including the adoption of Hong Kong Financial Reporting Standard ("HKFRS") 15 – Revenue from Contracts with Customers;

2. Impairment assessments for cash generating units ("CGUs") containing goodwill;

3. Income taxes; and

4. Adoption of HKFRS 16 – Leases.

The Audit Committee is aware of and has considered the above key audit matters highlighted by PricewaterhouseCoopers in relation to PCCW. The Audit Committee has considered the approach and work carried out by PricewaterhouseCoopers in their review of the audit work performed and the evidence obtained by the auditors of PCCW.

The Audit Committee is satisfied that the Company's share of the profits and net assets of PCCW are properly supported by audit evidence.

In carrying out its duties, the Audit Committee is guided by its Committee terms of reference and the Guidebook for Audit Committees in Singapore. The Audit Committee takes measures to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements such as attending briefing updates on recent developments in accounting and governance standards, where necessary. In addition, periodic updates on changes in accounting standards and treatment are prepared by external auditors and circulated to members of the Audit Committee to keep them abreast of such changes and the corresponding impact on the financial statements, if any.

Principle 11: Risk Management and Internal Controls

The Board recognises that it is responsible for the governance of risk management, for determining the Group's levels of risk tolerance and for determining the Group's risk policies, to safeguard shareholders' interests and the Group's assets, and oversees management in implementing the risk management and internal controls system of the Group. Risk awareness and ownership of risk management are continuously fostered across the Group. The Audit Committee provides oversight and reports annually to the Board on the Group's risk assessment systems and, based on the management controls in place throughout the Group, the internal control policies and procedures established and maintained by the Group, the regular audits and monitoring and reviews performed by external auditors, the Board, with the concurrence of the Audit Committee, is satisfied that there are adequate and effective internal controls, including material financial, operational, compliance and information technology controls, and risk management systems in the Group. The Group's activities expose it to market risk (including currency, interest rate and price risks), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise the adverse effects of unpredictability in financial markets on the Group's financial performance. The Group's financial risk management strategy is discussed in detail in Note 25 to the financial statements. The Group is geographically diverse with earnings from the Asia-Pacific region including India. The Group's operations are subject to extensive government regulation which may impact or limit its flexibility to respond to market conditions and competition. Governments may alter their policies relating to certain industries as well as the regulatory environment in which the Group operates, including taxation. The Group's overseas investments are also subject to risk of imposition of laws restricting the level and manner of ownership and investment. The Group has access to appropriate advisors with regulatory expertise and resources who advise on risk mitigation measures. The Group also works closely with management and partners in countries in which the Group operates and leverages on local expertise, knowledge and ability to ensure compliance. The directors of PCCW, PCRD's major investment, review the effectiveness of its internal controls, including material financial, operational, information technology and compliance controls, the risk management functions of the PCCW group and, in particular, the adequacy of resources, staff qualifications and experience, training programs and budget of PCCW's accounting and financial reporting functions. At PCCW, appropriate policies and control procedures have been designed and established to ensure that: assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact on the performance of the group are appropriately identified and managed.

Report on Corporate Governance

AUDIT COMMITTEE (continued)

For FY2018, the Group Managing Director/Chief Financial Officer has provided written confirmation to the Board that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and that the Company's risk management, compliance and internal control systems are adequate and effective in addressing material financial, operational, information technology and compliance risks. This certification covers the Company and subsidiary corporations which are under the Company's management control. In line with the SGX listing rules, every quarter, the Board provides a negative assurance statement to shareholders in respect of the quarterly financial statements, which is supported by a negative assurance statement from the Group Managing Director/Chief Financial Officer, and which is in turn supported by a negative assurance confirmation from the various key business and operating/functional heads within the Group that nothing has come to their attention that would render the quarterly financial results to be false or misleading.

The Board, with the concurrence of the Audit Committee, is of the opinion, based on the work of external auditors, the findings of internal auditors and reviews performed by Management, that the Group's internal controls addressing financial, operational, information technology and compliance risks, which the Group considers relevant and material to its operations, are adequate and effective in meeting the requirements of the Group as at 31 December 2018. Internal control systems established and maintained by the Group provide reasonable, but not absolute, assurance against material financial misstatements or loss. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

Principle 13: Internal Audit

The Audit Committee has the mandate to authorise special reviews or investigations, where appropriate, in discharging its responsibilities. Periodic visits by finance staff are made to review the operations and internal controls of subsidiary corporations and to report back to the Audit Committee. In addition, an external firm of internal auditors are engaged to conduct internal audits on the Group's associated corporation in India. The Group's listed associated corporation, PCCW, which comprises the bulk of the inherent value of PCRD, has its own Group Internal Audit function which conducts selective reviews on the effectiveness of its system of internal controls over financial, operational, compliance controls and risk management functions with emphasis on information technology, data privacy, systems contingency planning and procurement. Additionally, PCCW's heads of major business and corporate functions are required to undertake a control self-assessment of their key controls and the results are assessed by PCCW's Group Internal Audit. Internal audit work in Hong Kong is carried out in compliance with the requirements of the Standards for the Professional Practice of Internal Auditing pronounced by The Institute of Internal Auditors.

The results of internal audit activities are communicated to the Audit Committee and key members of executive and senior management. Audit issues are tracked and followed up on to ensure proper implementation, and progress is reported to senior management and the Audit Committee periodically. The Audit Committee is satisfied that PCCW's Group Internal Audit and the internal function of its associated corporation in India are independent, effective and adequately resourced.

Whistle-blowing

The Company has in place a whistle-blowing policy and arrangements by which staff and agents working for the Company may raise concerns in good faith and in confidence about possible corporate improprieties in financial control and reporting, unlawful conduct or other such matters.

The policy aims to encourage employees to be confident in raising serious concerns and to question and act upon their concerns. It provides avenues within the Company, including a direct channel to the Chairman of the Audit Committee, to raise concerns and assures protection and safeguards to employees from reprisals or victimisation. The policy also ensures employees get a response to their concerns and feedback on any action taken.

To ensure such matters are independently investigated and appropriately followed up, any whistle-blowing report must be recorded and investigated. An annual status report on any whistle-blowing reports must be sent to the Audit Committee. Whistle-blowing records must be made available for inspection by the Audit Committee.

Details of the whistle-blowing policy and arrangements are given to all staff for their easy reference.

Report on Corporate Governance

REMUNERATION COMMITTEE

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The Remuneration Committee was formed on 5 December 2002.

The Remuneration Committee is presently comprised entirely of independent non-executive directors. They are Mr. Francis Yuen Tin Fan (Chairman), Mr. Tom Yee Lat Shing and Ms. Laura Deal Lacey. The Remuneration Committee has access to expert advice, both inside and outside the Company, when required. In the event of such advice being sought, the Remuneration Committee ensures that existing relationships, if any, between the Company and its appointed experts or consultants will not affect their independence and objectivity. The Company did not appoint any remuneration experts or consultants in FY2018 as the Remuneration Committee was satisfied that remuneration packages are benchmarked against industry peers and against comparable companies.

The Remuneration Committee's principal responsibilities (as set out in its terms of reference) are as follows:

1. Recommends to the Board a framework of remuneration for the Board which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind. The Remuneration Committee also reviews the remuneration of senior management.

2. Reviews the on-going appropriateness and relevance of the directors' remuneration policy.

3. Reviews and approves the design of all equity-based plans.

4. Oversees the implementation of remuneration policies within PCRD and ensures that no director participates in decisions on his own remuneration.

Executive directors and non-executive directors with executive roles within the Group, including PCCW and HKT, do not receive directors' fees. Each member of the Remuneration Committee abstains from voting on any resolutions in respect of his remuneration package.

For confidentiality and competitive reasons, the Company discloses remuneration bands as follows:

Directors' Remuneration

For financial years ended 31 December 2018 and 31 December 2017, the number of directors in each remuneration band is as follows:

	2018	2017
$1,000,000 to $1,249,999	**1**	1
$750,000 to $999,999	**–**	–
$500,000 to $749,999	**–**	–
$250,000 to $499,999	**–**	–
Below $250,000	**8**	7
Total	**9**	8

The above table includes all directors who held office in 2018 and 2017.

Report on Corporate Governance

REMUNERATION COMMITTEE (continued)

Independent directors and non-executive directors with no executive roles within the Group are paid a basic fee and additional fees for attendance at meetings. The Board recommends the payment of such fees for approval by shareholders at the AGM of the Company. The Board ensures that non-executive directors' fees are appropriate to the level of contribution, taking into account factors such as effort and time spent, and the responsibilities of the non-executive directors, such that the independence of the independent non-executive directors is not compromised by their compensation.

For financial years ended 31 December 2018 and 31 December 2017, the number of non-executive directors in remuneration bands of $10,000 is as follows:

	2018	2017
$40,000 to $49,999	**6**	4
$30,000 to $39,999	**–**	1
$10,000 to $19,999	**–**	–
Below $10,000	**1**	1
Total	**7**	6

PCRD is an investment holding company and its main asset is its Hong Kong-listed associated company, PCCW. The primary executive functions in PCRD itself are performed by executive directors who undertake responsibility for the day-to-day operations of both the Company and the Group. The details of directors' remuneration are disclosed above. Remuneration for executive directors and key management personnel is established in accordance with a remuneration framework comprising basic salary and variable bonuses and benefits-in-kind. Remuneration packages are comparable within the industry and with comparable companies and include a performance-related element coupled with appropriate measures of appraising each individual's performance. Base salaries of executive directors and key management personnel are determined based on the scope, criticality and complexity of each role, equity against peers with similar responsibilities, experience and competencies, individual performance and market competitiveness. Variable bonuses are intended to recognize the performance and contribution of the individual, and are linked to achievement of financial and non-financial key performance indicators. These indicators such as core values, competencies, key result areas, performance rating, and potential of the employees (including key management) link remuneration to corporate and individual performance. For 2018, all executive directors and key management personnel met their respective performance criteria.

The Board is of the view that, given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment in which the Company and the Group operate, as well as in the interest of maintaining good morale and a strong spirit of teamwork within the Company and the Group, it is in the best interests of the Company and the Group not to disclose a detailed breakdown of the various remuneration components on a named basis (in percentage and dollar terms) or an aggregation of the remuneration of each of the directors (including the Group Managing Director) and key management personnel. Where such precise information is disclosed publicly, this is could be detrimental to the Company's interests as it will allow competitors to gain an unfair advantage when seeking to entice either existing Directors and/or management personnel (including key management personnel) within the Company or, as the case may be, where both the Company and its competitors are desirous of employing senior executives within the same industry. The Company has a limited number of staff, and takes the view that there is only one key management personnel who is not also a director who has the authority and responsibility for planning, directing and controlling the activities of the Company. This is the Vice President Finance and Company Secretary of the Company. Disclosure of the remuneration of the other executives is considered not relevant.

Report on Corporate Governance

REMUNERATION COMMITTEE (continued)

For financial years ended 31 December 2018 and 31 December 2017, the number of key management personnel in each remuneration band is as follows:

	2018	2017
$250,000 to $499,999	**1**	1
Total	**1**	1

There was no employee in the Group who is an immediate family member of a director (including the Group Managing Director) during the year.

Whilst the Company currently does not have a share option scheme in place for its directors and employees, it will consider the establishment of other forms of longer term incentive schemes, as and when appropriate. The Company does not presently use contractual provisions to clawback incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. Having reviewed and considered the remuneration of executive directors and key management personnel, the Remuneration Committee is of the view that there is no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration paid in prior years.

The Company's obligations in the event of termination of service of executive directors and key management personnel are contained in their respective employment letters. The Remuneration Committee is satisfied that termination clauses therein are fair and reasonable to the respective employment class and are not overly generous. No termination, retirement or post-employment benefits were granted to directors (including the Group Managing Director) or the key management personnel of the Company during FY2018.

COMMUNICATIONS WITH SHAREHOLDERS

Principle 10: Accountability

Principle 14: Shareholders Rights and Responsibilities

Principle 15: Communications with Shareholders

Principle 16: Conduct of Shareholder Meetings

The Board is accountable to shareholders and ensures that all material information is fully disclosed in a timely manner to shareholders in compliance with statutory and regulatory requirements. In particular, the Company does not practise selective disclosure. Price sensitive announcements, including financial results and relevant announcements from PCCW, which is listed on The Stock Exchange of Hong Kong Limited, are released in a timely manner through SGXNET and posted on the Company's website.

In its communications on the Company's performance, the Board aims to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis using timely information provided by management on a monthly basis and reviewed by the Board. The Board provides shareholders with quarterly and annual results. Results for the first, second and third quarter are released to shareholders within 45 days of the end of each quarter while annual results are released within 60 days from the financial year-end.

Report on Corporate Governance

COMMUNICATIONS WITH SHAREHOLDERS (continued)

In relation to communications with shareholders at general meetings of the Company, shareholders are informed of shareholders' meetings through published notices and announcements or circulars sent to all shareholders. The notices of meetings and related explanatory information are drafted to provide all information that is relevant to shareholders on matters to be voted upon at shareholders' general meetings. It is the objective of the Company to ensure that such information is presented clearly and concisely so that it is unambiguous and easy to understand.

At general meetings, shareholders are encouraged to participate and are given reasonable opportunity to ask the Board of Directors questions regarding the Company and its subsidiaries and to participate in the meeting itself. Under the multiple proxies regime introduced pursuant to the Companies (Amendment) Act 2014, "relevant intermediaries" such as banks, capital markets services licence holders which provide custodial services for securities and the Central Provident Fund Board, are allowed to appoint more than two proxies to attend, speak and vote at general meetings. This enables indirect investors, including CPF investors, to be appointed as proxies to participate at shareholders' meetings. If any shareholder (who is not a "relevant intermediary") is unable to attend, he or she is allowed to appoint up to two proxies to vote on his or her behalf at the meeting through proxy forms sent in advance.

The Chairpersons of the Audit, Nominating and Remuneration Committees are normally present to address questions at general meetings. In particular, the external auditor of the Company is present at the AGM of the Company to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

All resolutions are put to the vote by poll and the voting procedures are explained to shareholders during the meeting. The Company has not adopted electronic poll voting at its general meetings of shareholders as the number of shareholders and/or proxies in attendance currently does not warrant the implementation of electronic poll voting. The detailed results of voting at general meetings showing the number of votes cast for and against each resolution and the respective percentages are presented to shareholders after the voting process and are thereafter published on the SGXNET.

Minutes of the general meetings are also prepared and are available upon request. The minutes include substantial and relevant comments or queries from the shareholders, and responses from the Board and Management.

The Board also takes steps to solicit and understand the views of shareholders (apart from communications with shareholders at general meetings of the Company). As and where appropriate, the Company will conduct investor briefings to solicit and understand the views of shareholders. The Company also meets with institutional and retail investors on request periodically. The Company is mindful of not practising selective disclosure and discussions are based on publicly available materials and information. In addition, the Company also attends to general enquiries from shareholders, analysts and the press. Such enquiries, as well as investor briefings and meetings with investors, are handled by the appropriate management staff and/or the Group Managing Director (in lieu of a dedicated investor relations team).

A final dividend and a special dividend for FY2018 have been recommended by the Directors. The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on factors such as the Company's earnings and results, cash flow and capital requirements, general business condition, investment activities and development plans. The Board continues to evaluate investment opportunities and new businesses for the Company. The Company is focused on preserving shareholder value and is careful and conservative at looking at new opportunities and will announce any developments as they occur.

Report on Corporate Governance

INTERESTED PERSON TRANSACTIONS ("IPTs")

The Company has adopted an internal policy in respect of any transactions with interested persons and has established procedures for review and approval of the Company's IPTs. The Audit Committee reviews all such transactions to confirm that the guidelines and procedures established to monitor IPTs have been complied with.

The Group obtained a general mandate from shareholders of the Company for IPTs at the AGM held on 23 April 2018. This general mandate remains in force until the forthcoming AGM and is proposed for renewal at the forthcoming AGM. In 2018, the following IPTs were entered into by the Group:

Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
None, all IPTs below $100,000	None

DEALINGS IN SECURITIES

The Group has in place an internal code which provides guidance to directors and certain employees in relation to dealings in the Company's shares. Directors and certain employees of the Group who have access to price-sensitive and confidential information are not permitted to deal in the Company's shares when they are in possession of unpublished price-sensitive information on the Group or during periods commencing fourteen days before the date of announcement of the Group's quarterly financial results or one month before the date of announcement of the Group's full year financial results and ending on the date of announcement of such results. In the event that the date of announcement of the financial results of PCCW should fall more than seven days before the date of announcement of the Group's financial results for that financial period, all directors and certain employees of the Group are not permitted to deal in the Company's shares during the period commencing seven days before the announcement of PCCW's financial results and ending on the date of announcement of the Group's results. The code also requires officers of the Company not to deal in securities of the Company on short-term considerations.

MATERIAL CONTRACTS

In the financial year under review, no material contracts of the Company or its subsidiaries were entered into or subsisted at the end of the financial year which involved the interests of any Director or controlling shareholder.

Sustainability Report

Board Statement

We are pleased to publish our second Sustainability Report for Pacific Century Regional Developments Limited ("PCRD") in compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Rule 711.

The Board of Directors recognises the importance of creating sustainable value for all our stakeholders and views sustainability as a key consideration in strategy formulation for the Group. The Board has been actively involved in overseeing the management of material environmental, social and governance ("ESG") factors for the Group, which were determined last year.

PCRD believes that good ESG performance brings it and its stakeholders a host of advantages in the long-run through operational performance excellence, careful risk management and protection of its assets and the interests of its shareholders. The Group continues to take into consideration ESG factors when seeking new business opportunities. In this regard, where applicable, ESG issues are incorporated into the investment analysis and decision-making process. Appropriate disclosure on ESG issues by investee entities is sought and reported.

The Board, supported by Management, continues to make improvements to the Group's sustainability efforts and works with its stakeholders towards promoting sustainability in its businesses.

About the Report

PCRD is a limited liability company incorporated in the Republic of Singapore which is also its headquarter. The Company is listed on the SGX-ST and is part of the Pacific Century Group of companies. In this report, unless otherwise stated, references to "PCRD", the "Company" and the "Group" refer to Pacific Century Regional Developments Limited and its controlled subsidiaries.

REPORTING SCOPE AND PERIOD

This report covers the sustainability performance of our operations for the financial year ended 31 December 2018 ("FY2018") and includes data and information relating to our operations in Singapore. To provide additional information for stakeholders, PCRD has included in this report certain highlights on the sustainability efforts of Hong Kong-listed PCCW Limited ("PCCW") and its subsidiary, Hong Kong-listed HKT Trust and HKT Limited ("HKT") drawn from their ESG reports.

REPORTING STANDARD AND ASSURANCE

This report has been prepared by reference to the Global Reporting Initiative ("GRI") Standards and in line with the SGX Sustainability Reporting Guide. The report covers the Group's policies, practices, initiatives, performance and goals in relation to material ESG factors and will be updated on an annual basis.

We have not sought external assurance for this reporting period, but will consider doing so in future if circumstances merit such assurance.

FEEDBACK

Stakeholder input is important to defining our sustainability approach and we value and welcome any feedback with regards to this report or any aspect of our sustainability performance. Please feel to reach out to us at info@pcrd.com.

Sustainability Report

ABOUT PCRD

PCRD's principal activity is investment holding, with interests in telecommunications, media, IT solutions, logistics and property development and investment, in the Asia-Pacific region.

PCRD's most significant investment is its 22.72% stake in PCCW (SEHK: 0008; American Depositary Receipts on the OTC Markets Group Inc. in the US: PCCWY).

PCCW holds a majority interest in HKT (SEHK:6823), Hong Kong's premier telecommunications service provider and leading operator in fixed-line, broadband and mobile communication services. HKT serves both the Hong Kong and international markets with a wide range of services including local telephone, data and broadband services, international telecommunications, mobile, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting and contact centres.

Separately, PCRD holds a direct interest of 1.92% in HKT.

PCCW also owns a fully integrated multimedia and entertainment group in Hong Kong, PCCW Media. PCCW Media operates Hong Kong's largest local pay-TV operation, Now TV, and is engaged in the provision of over-the-top (OTT) video service under the Viu brand in Hong Kong and other countries in the region.

Through HK Television Entertainment Company Limited, PCCW also operates a domestic free television service in Hong Kong. Also, PCCW's wholly-owned PCCW Solutions is a leading information technology and business process outsourcing provider in Hong Kong and mainland China.

PCCW also holds a majority interest in Hong Kong-listed Pacific Century Premium Developments Limited ("PCPD") (SEHK:0432) which is principally engaged in the development and management of premium property and infrastructure projects, as well as investment in premium-grade buildings in the Asia-Pacific region.

There have been no significant changes to PCRD's percentage interests in these investments in the past year.

PCRD is 89% owned by the Pacific Century Group, which was founded in 1993. The Pacific Century Group acquired control of PCRD in September 1994.

The Company has made no major leadership changes during the year apart from the addition of an Independent Non-Executive Director to the PCRD Board and the retirement of a Non-Executive Director in August 2018.

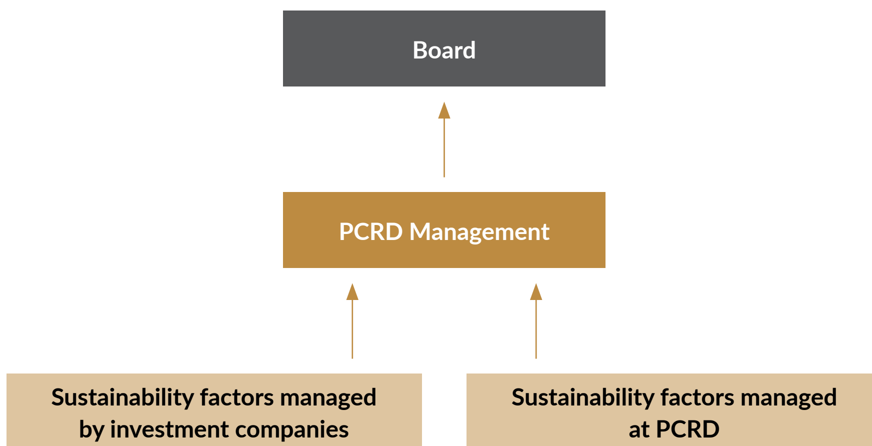
Sustainability Report

Sustainability at PCRD

Sustainability is embedded in our DNA. We strongly believe that as an investment holding company, we can influence the sustainability agenda across our businesses and investment companies.

GOVERNING SUSTAINABILITY AT PCRD

Following the announcement of the SGX sustainability reporting guidelines last year, we have formalised the governance of our sustainability risks and opportunities. The structure below represents how we govern sustainability across the company.



STAKEHOLDER ENGAGEMENT

Stakeholder engagement is one of the key drivers in the continuous improvement of the Group's sustainability efforts. The Group's main stakeholders are employees, business partners, investors and regulators. These have been selected based on their influence and dependency on the Group's business.

Stakeholders	Frequency of engagement	Method	Topics of Concern	Our Response
Employees	Ad hoc	• Open feedback channel	• Training and career development • Pay and benefits • Channel for reporting of breaches of ethics	• Training opportunities • Competitive benefits • Whistle blowing policy
Investment companies	Ad hoc	• Meetings • Board participation	• Business performance • Investment initiatives and opportunities	• Perform due diligence • Assess risks and opportunities
Investors	Quarterly Annually Ad hoc	• Quarterly/ad hoc announcements • Annual Report • Annual General Meeting	• Business performance • Dividends • Shareholder value	• Corporate Governance Report • Follow-up on feedback • Reduce Costs
Regulators	Quarterly Annually Ad hoc	• Direct engagement • Quarterly/ad hoc announcement • Returns	• Compliance with laws and regulations	• Trainings and updates • External professional support

Sustainability at PCRD (continued)

MATERIALITY ASSESSMENT

We carried out our Materiality Assessment last year with guidance from the "GRI Standards' Principles for defining report content". A peer and industry review exercise was conducted to short-list potential material factors where our business creates significant impacts. We then validated the material factors to arrive at the final list of material factors which are shown in the table below. The chosen materials factors have been retained for this subsequent report, as we believe our current factors continue to remain relevant in line with our stakeholder expectations and business impact.

Pillars	Material Factors
Governance	1. Responsible Investments 2. Corporate Governance – Compliance – Business Integrity and anti-corruption – Risk Management
Social	3. Corporate Social Responsibility 4. Training and development

While the Group recognises the importance of aspects covered by GRI for reporting, the focus for PCRD's sustainability reporting continues to lean towards the areas of Governance and Social. PCRD's approach has been formulated to strike a balance between business integrity by ensuring good corporate governance and compliance with the law, rules and regulations and social engagement by ensuring development of employees and engaging with communities.

Similarly, as an investment holding company, PCRD does not currently control any operational businesses. For the purposes of the report for this financial year, environmental KPIs are therefore not an area for focus. However, the Company recognises the importance of responsible investment and is committed to invest in businesses that adopt good environmental practices. Investments for consideration will be subject to assessment of ESG risks, including those covering environmental risks.

The Company will continue to review the relevance and importance of these categories of issues in future years.

PCCW and HKT, the Company's major investments, have conducted comprehensive materiality assessments to identify those issues that reflect the significant economic, environmental and social impacts of their businesses and the issues that matter most to their stakeholders. Material areas identified are reported in their own ESG reports.

Sustainability Report

Governance

RESPONSIBLE INVESTMENT

Why this is material

We believe that we can create an impact on sustainability through the investments we make and monitor. Any ESG related issues faced by our investments can give rise to potential reputational and financial risks for us. PCRD recognises this and is committed to invest in companies that adopt good environmental and social practices.

How we manage this material factor

We are putting in place mechanisms to assess new investments from a social and economic perspective. We are also considering regular monitoring of the sustainability performance of our key investment companies.

Sustainability performance summary of PCCW and HKT

Information on PCCW's and HKT's ESG management approach, strategy, priorities and objectives are disclosed in their ESG reports.

These reports highlight their sustainability efforts in:

- Environmental Aspects (emissions, use of resources, the environment and natural resources)
- Social Aspects (employment, health and safety, development and training, labour standards, supply chain management, product responsibility, anti-corruption and community investment).

In 2018, through its core business operations, PCCW sought to:

- Incorporate environmentally friendly considerations into its business operations and help its customers live a greener life
- Position itself as an Employer of Choice.

PCCW is committed to minimising the environmental impacts of its operations. Its smart living services and solutions help its customers lead a more environmental friendly lifestyle, and assist businesses in achieving greater efficiency. It has established an Environmental Advisory Group to coordinate environmental initiatives even more effectively.

PCCW places the highest value on employees and strives to provide an inclusive and productive working environment. It provides professional training and development opportunities for staff at different stages of their career. In 2018, it enhanced both maternity leave and paternity benefits so employees can spend more time with their new born children.

Their full ESG reports are available at **www.pccw.com** and **www.hkt.com**.

Future outlook

We will continue to monitor the sustainability performance of our invested companies on a regular basis and also assess any new investments from a social and environmental perspective.

Governance (continued)

CORPORATE GOVERNANCE

PCRD has zero-tolerance for risks concerning governance issues. PCRD's Board and Management are committed to continually enhancing stakeholder value by maintaining high standards of compliance, professionalism, integrity and commitment at all levels, underpinned by strong internal controls and risk management systems.

Further information on the Company's corporate governance practices can be found in the 2018 Annual Report – Report on Corporate Governance.

COMPLIANCE

Why this is material

As a listed entity, we are subject to a number of social and economic laws and regulations. Any breach of such rules can result in financial loss and pose a risk to our ability to operate.

How we manage this material factor

The Company places great importance on regulatory compliance. PCRD has put in place internal controls and procedures to ensure it is conducting its business in compliance with prevailing laws and regulations. The Company therefore strives to ensure compliance with internal systems of control that are imposed to achieve compliance with externally imposed regulations as well as compliance with external regulations imposed on the company as a whole.

Performance

In 2018, we did not face any fines or sanctions under laws and/or regulations governing social or economic matters.

Future outlook

We will strive to maintain compliance and to incur zero fines, sanctions or other penalties for social or economic infringements.

BUSINESS INTEGRITY

Why this is material

We recognise that business integrity can be a significant risk in our industry and any breach of policies pertaining to corruption and ethics can result in significant fines, reputational damage and loss of stakeholder confidence.

How we manage this material factor

The Group is committed to upholding the principles of ethical behaviour, transparency, responsibility and integrity in all aspects of its business.

Objectives	Measures
• Zero bribery • Comprehensive anti-corruption measures • Effective anti-money laundering procedures	• Anti-Corruption Policy • Whistle-Blowing Policy • Staff education and training

To ensure that the Group's interests are safeguarded and to prevent any illegal or improper behaviour, all directors, officers and employees of the Group are required to observe and uphold the Group's zero-tolerance for corruption, bribery and fraud in any form or at any level in association with any aspects of the Group's activities.

All employees are required to confirm annually that they have read and understood our anti-corruption and bribery policies. These policies provide guidelines for staff to avoid bribery and potential conflicts of interest with related parties. Clear procedures have been developed for expenses and reimbursement approvals. All employees are required to report any gifts received to Human Resources and to follow the rules regarding the use of gifts received.

Sustainability Report

Governance (continued)

CORPORATE GOVERNANCE (continued)

BUSINESS INTEGRITY (continued)

How we manage this material factor (continued)

The Group also has a whistle-blowing policy for staff and agents working for the Company to report on possible corporate improprieties in financial controls or unlawful conduct. Complaint channels through which employees and other parties can confidentially and anonymously report unethical and illegal behaviour have been established. Whistle-blowing reports must be investigated to the fullest extent possible and reported to the Audit Committee. Further details on the Company's whistle-blowing policy can be found in the Report on Corporate Governance.

The Company is also committed to comply with all relevant anti-money laundering rules and regulations. Employees are briefed on and are made aware of laws for the prevention of money laundering and financing of terrorism and proliferation. Specifically, finance and corporate secretarial staff are required to confirm that they understand anti-money laundering and counter financing of terrorism guidelines issued by ACRA.

Performance

– The Company did not have any reported incidents on corruption or bribery in the 2018 financial year.

– The Company also did not receive any whistle-blowing reports of any impropriety in the 2018 financial year.

Further details on the commitments by PCCW and HKT regarding aspects of anti-corruption can be found in their separate ESG reports.

Future Outlook

We will aim to maintain our zero incidents for bribery and also conduct a refresher training course for our employees in this area.

RISK ASSESSMENT AND MANAGEMENT

Why this is material

The Group's activities expose it to market risk (including currency, interest rate and price risks), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise the adverse effects of unpredictability in financial markets on the Group's financial performance.

The Group is geographically diverse with earnings from the Asia-Pacific region including India. The Group's operations are subject to extensive government regulation which may impact or limit its flexibility to respond to market conditions and competition. Governments may alter their policies relating to certain industries as well as the regulatory environment in which the Group operates, including taxation. The Group's overseas investments are also subject to the risk of the imposition of laws restricting the level and manner of ownership and investment.

How we manage this material factor

The Group has access to appropriate advisors with regulatory expertise and resources who advise on risk mitigation measures. The Group also works closely with management and partners in countries in which the Group operates and leverages on local expertise, knowledge and ability to ensure compliance.

Risk awareness and ownership of risk management are continuously fostered across the organisation. The Company's Audit Committee reviews management's reports and updates the Board half-annually on the Group's risk assessment systems. Based on the management controls in place throughout the Group, the Board is satisfied that there are adequate and effective internal controls, including material financial, operational, compliance and information technology controls, and risk management systems in the Group.

Social

CORPORATE SOCIAL RESPONSIBILITY

Why this is material

Corporate social responsibility is an integral part of the Company's business strategy. The Company is committed to operate in a manner that is economically, socially and environmentally sustainable while balancing the interests of its various stakeholders and providing a valuable service to society. Meeting this commitment is an important management objective and the individual and collective responsibility of all employees.

How we manage this material factor

The Company is committed to fostering positive relationships with the communities in which it operates. It contributes to communities through charitable donations, as well as, sponsorships of community activities in Singapore such as the SGX Bull Run and the Singapore Repertory Theatre.

Our invested companies, PCCW and HKT are engaged in philanthropic and volunteer work including employee engagement in community service. They are also committed to bridging the digital divide in their local communities by supporting technology literacy initiatives and campaigns and helping local communities enjoy easier access to Information and Communications Technology.

In particular, PCCW consistently strives to enhance the digital literacy of the community through education, volunteering and financial contributions. For example, it seeks to broaden young people's knowledge of ICT through scholarships and bursaries, which support university student in related disciplines, by sponsoring programmes such as the Hong Kong-Taiwan Youth IT Summer Camp. Additionally, PCCW organises programmes and workshops that help enable senior citizens to adapt safe, healthier and more active lifestyle. For example, the smart phone workshop for the elderly and the intergenerational VR programme in partnership with eSmart Health, which sought to introduce the elderly to new technologies, bridge the gap between older and younger generations, and improve digital literacy and skills for both. PCCW facilitates Hong Kong's development into a smart city through research and deployment of emerging technologies.

Performance

Details of community investments by PCCW and HKT can be found in their respective ESG reports.

Future outlook

We will aim to develop a more strategic approach towards our own corporate social responsibility agenda.

TRAINING AND DEVELOPMENT

Why this is material

It is important that staff are kept abreast of the latest developments in their respective fields. This helps promote their career development, job satisfaction and assists in achieving lower staff turnover rates.

How we manage this material factor

The Company believes in the continued training and development of its directors and employees. To this effect, the Company is committed to invest in its employees and provides support to employees for their professional memberships, continuing professional education and related studies. Employees are encouraged to attend training sessions and seminars relevant to their work, whenever necessary.

As well as providing an engaging and supportive working environment, the Company helps employees to pursue a healthy lifestyle. The Company promotes a learning culture and staff are encouraged to attend training and post-education courses. The Company is committed to promote a work environment which values and respects all its employees. It also encourages and supports diversity in its workforce and Board.

Sustainability Report

Social (continued)

CORPORATE SOCIAL RESPONSIBILITY (continued)

Performance

Our staff turnover continues to be low with a comparatively large percentage of employees having more than 20 years of service to the Group. Two employees received their long service awards for 20 years of dedicated service to the Company in 2018.

For FY2018, 100% of employees received an annual performance review with salary adjustments in line with industry standards and inflation. All employees with professional memberships attended relevant continuing professional education courses with an average of 22 hours per employee. Training and job-related studies were provided to other staff on an ad hoc basis.

Future outlook

We will strive to provide more needs-based training for our employees.

GRI Content Index

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102-4	Location of operations	106
102-5	Ownership and legal form	106
102-6	Markets served	107
102-7	Scale of the organisation	Refer to Annual Report page 3
102-8	Information on employees and other workers	113
102-9	Supply chain	107
102-10	Significant changes to the organisation and its supply chain	No significant changes
102-11	Precautionary Principle or approach	Not applicable
102-12	External initiatives/charters	None
102-13	Membership of associations	• Singapore Business Federation • Singapore International Chamber of Commerce • American Chamber of Commerce, Singapore • British Chamber of Commerce, Singapore • Australian Chamber of Commerce, Singapore • Hong Kong Singapore Business Association • International Institute of Strategic Studies

Sustainability Report

GRI Content Index (continued)

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Shareholding Statistics

As at 21 February 2019

ISSUED AND FULLY PAID-UP

S$457,282,365.61 divided into 2,649,740,300 ordinary shares.

Class of Shares – Ordinary share
Voting Rights – One vote per share
Treasury Shares – Nil
Subsidiary Holdings – Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings		No. of Shareholders	%	No. of Shares	%
1	– 99	32	0.73	707	0.00
100	– 1,000	222	5.07	199,120	0.01
1,001	– 10,000	2,345	53.59	15,421,766	0.58
10,001	– 1,000,000	1,744	39.85	105,564,782	3.98
1,000,001	and above	33	0.76	2,528,553,925	95.43
Total		**4,376**	**100.00**	**2,649,740,300**	**100.00**

Approximately 10.15% of the issued ordinary shares are held by the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has accordingly been complied with.

Shareholding Statistics

As at 21 February 2019

SUBSTANTIAL SHAREHOLDERS

(including deemed interest as recorded in the Register of Substantial Shareholders as at 21 February 2019)

Substantial Shareholder	Direct Interest No. of issued shares	Deemed Interest No. of issued shares
Jenny W.L. Fung [(1)]	–	2,347,042,230
Lester Huang [(1)]	–	2,347,042,230
OS Holdings Limited [(1)]	–	2,347,042,230
Ocean Star Management Limited [(1)]	–	2,347,042,230
The Ocean Trust [(1)]	–	2,347,042,230
The Ocean Unit Trust [(1)]	–	2,347,042,230
The Starlite Trust [(1)]	–	2,347,042,230
The Starlite Unit Trust [(1)]	–	2,347,042,230
Pacific Century Group Holdings Limited [(2)]	200,000	2,346,842,230
Pacific Century International Limited [(3)]	–	2,330,058,230
Pacific Century Group (Cayman Islands) Limited [(4)]	1,160,991,050	1,169,067,180
Anglang Investments Limited	1,169,067,180	–

Notes:

(1) In April 2004, Mr. Richard Li Tzar Kai transferred his entire beneficial interest in Pacific Century Group Holdings Limited to Ocean Star Management Limited as trustee holding for and on behalf of The Ocean Unit Trust and The Starlite Unit Trust. All the issued units of each of The Ocean Unit Trust and The Starlite Unit Trust are held by Star Ocean Ultimate Limited as trustee for and on behalf of The Ocean Trust and The Starlite Trust respectively. Ocean Star Management Limited is the wholly-owned subsidiary of OS Holdings Limited. Ms. Jenny W.L. Fung and Mr. Lester Huang each holds more than 20% of the shares of OS Holdings Limited. Each of The Ocean Trust, The Starlite Trust, The Ocean Unit Trust, The Starlite Unit Trust, Ms. Jenny W.L. Fung, Mr. Lester Huang, OS Holdings Limited and Ocean Star Management Limited is deemed to have an interest in 2,347,042,230 shares in the Company through Pacific Century Group Holdings Limited (see Note 2).

(2) Pacific Century Group Holdings Limited has a direct interest in 200,000 shares in the Company. Pacific Century Group Holdings Limited is also deemed to be interested in (i) the 16,784,000 shares held by its wholly-owned subsidiary, Borsington Limited (ii) the 1,169,067,180 shares held by Anglang Investments Limited and (iii) the 1,160,991,050 shares held by Pacific Century Group (Cayman Islands) Limited.

(3) Pacific Century International Limited is deemed to be interested in (i) the 1,169,067,180 shares held by Anglang Investments Limited and (ii) the 1,160,991,050 shares held by Pacific Century Group (Cayman Islands) Limited.

(4) Pacific Century Group (Cayman Islands) Limited is deemed to be interested in the 1,169,067,180 shares held by Anglang Investments Limited.

Shareholding Statistics

As at 21 February 2019

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Raffles Nominees (Pte.) Limited	2,366,879,501	89.32
2	DBS Nominees (Private) Limited	20,253,750	0.76
3	DBS Vickers Securities (Singapore) Pte Ltd	19,524,500	0.74
4	BNP Paribas Nominees Singapore Pte. Ltd.	16,874,000	0.64
5	Citibank Nominees Singapore Pte Ltd	16,808,459	0.63
6	Ho Kim Lee Adrian	10,460,600	0.39
7	HSBC (Singapore) Nominees Pte Ltd	9,200,882	0.35
8	Phillip Securities Pte Ltd	6,291,300	0.24
9	Allen Peter Anthony	5,000,000	0.19
10	United Overseas Bank Nominees (Private) Limited	4,138,100	0.16
11	OCBC Securities Private Limited	4,058,898	0.15
12	Chong Yean Fong	4,051,000	0.15
13	UOB Kay Hian Private Limited	3,976,200	0.15
14	Leong Chee Tong	3,500,000	0.13
15	Lim & Tan Securities Pte Ltd	3,491,800	0.13
16	Morph Investments Ltd	3,445,000	0.13
17	Tan Ling San	3,400,000	0.13
18	DB Nominees (Singapore) Pte Ltd	2,436,532	0.09
19	OCBC Nominees Singapore Private Limited	2,384,500	0.09
20	Yu Poh Suan (Yu Baoxuan)	2,245,800	0.08
	Total	**2,508,420,822**	**94.65**

Notice of 55th Annual General Meeting

Pacific Century Regional Developments Limited
(Incorporated in the Republic of Singapore)
Company Registration No. 196300381N

NOTICE IS HEREBY GIVEN that the 55th Annual General Meeting of the Company will be held at Raffles Town Club, Dunearn 3, Level 1, 1 Plymouth Avenue, Singapore 297753 on Tuesday, 2 April 2019 at 10.00 a.m. to transact the following business:

AS ROUTINE BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the year ended 31 December 2018 and the Auditor's Report thereon.

2 To approve and declare a tax-exempt (one-tier) final dividend of S$0.024 per ordinary share and a tax-exempt (one-tier) special dividend of S$0.063 per ordinary share for the year ended 31 December 2018.

3. To re-elect the following Directors retiring by rotation pursuant to article 99 of the Constitution of the Company and who, being eligible, offer themselves for re-election:

   (a) Mr. Richard Li Tzar Kai
   (b) Mr. Francis Yuen Tin Fan
   (c) Ms. Frances Wong Waikwun

4. To re-elect Mr. Christopher John Fossick who is retiring pursuant to article 105 of the Constitution of the Company and who, being eligible, offers himself for re-election.

5. To approve Directors' fees of S$267,350 for the year ended 31 December 2018 (2017: S$226,250).

6. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditor of the Company and to authorise the Directors to fix its remuneration.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:

7. That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies Act**") and the listing rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

   (a) (i) issue shares of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

   (b) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

Notice of 55th Annual General Meeting

AS SPECIAL BUSINESS (continued)

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50 per cent of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20 per cent of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with paragraph (2) below);

(2) (subject to such manner of calculation and adjustment as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of shares;

and, in paragraph (1) above and this paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

8. The Proposed Renewal of the Shareholders Mandate for Interested Person Transactions

THAT:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("**Chapter 9**") of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Company's Letter to Shareholders dated 18 March 2019 (the "**Letter**") with any party who is of the class of interested persons described in the Appendix to the Letter, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

(b) the approval given in paragraph (a) above (the "**Shareholders Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders Mandate and/or this Resolution.

Notice of 55th Annual General Meeting

AS SPECIAL BUSINESS (continued)

9. The Proposed Renewal of the Share Purchase Mandate

THAT:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) on the SGX-ST and/or any other stock exchange on which the Shares may for the time being be listed and quoted ("**Other Exchange**"); and/or

(ii) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held;

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held; and

(iii) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST or, as the case may be, Other Exchange immediately preceding the date of market purchase by the Company, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period;

"**Highest Last Dealt Price**" means the highest price transacted for the Shares as recorded on the market day on which the Shares are transacted on the SGX-ST or, as the case may be, Other Exchange immediately preceding the date of the making of the offer pursuant to the off-market purchase;

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

"**Maximum Limit**" means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST)); and

Notice of 55th Annual General Meeting

AS SPECIAL BUSINESS (continued)

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a market purchase of a Share, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an off-market purchase of a Share pursuant to an equal access scheme, 120% of the Highest Last Dealt Price of the Shares; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution.

By Order of the Board

Lim Beng Jin
Company Secretary

Singapore
18 March 2019

Notice of 55th Annual General Meeting

EXPLANATORY NOTES

Item 3 to 4 – Detailed information on these Directors can be found under the Board of Directors and Report on Corporate Governance sections in the Annual Report 2018.

Item 3(a) – Subject to his re-election, Mr. Richard Li Tzar Kai, who is an Executive Director, will remain as the Chairman of the Board of Directors and Chairman of the Executive Committee.

Item 3(b) – Subject to his re-election, Mr. Francis Yuen Tin Fan, who is an Independent Director, will remain as Deputy Chairman of the Board of Directors, Chairman of the Remuneration Committee and a member of the Audit Committee.

Item 3(c) – Subject to her re-election, Ms. Frances Wong Waikwun, who is an Independent Director, will remain as Chairwoman of the Nominating Committee and a member of the Audit Committee.

Item 4 – Subject to his re-election, Mr. Christopher John Fossick, who is an Independent Director, will remain as member of the Audit Committee and the Nominating Committee.

Item 7 – Resolution 7 is to empower the Directors, from the date of the forthcoming Annual General Meeting until the next Annual General Meeting, to issue shares of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding in total 50 per cent of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company of which up to 20 per cent may be issued other than on a *pro rata* basis to shareholders (excluding treasury shares and subsidiary holdings). The aggregate number of shares which may be issued shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time that Resolution 7 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution 7 is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares. As at 20 February 2019 (the "**Latest Practicable Date**"), the Company had no treasury shares and no subsidiary holdings.

Item 8 – Resolution 8 is to renew a mandate to enable the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual), or any of them, to enter into certain interested person transactions with specified classes of interested persons, as described in the Letter. Please refer to the Letter for more details.

Item 9 – Resolution 9 is to renew the mandate to enable the Company to purchase or otherwise acquire its issued Shares, on the terms and subject to the conditions set out in the Resolution.

The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired, whether the purchase or acquisition is made out of profits or capital, the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are held in treasury or cancelled.

The illustrative financial effects shown in paragraph 3.7 of the Company's Letter to Shareholders dated 18 March 2019 are based on a purchase or acquisition of Shares by the Company of up to (i) 0.15% of its issued Shares which, based on the number of issued and paid-up Shares as at the Latest Practicable Date and assuming that on or prior to the Annual General Meeting, no further Shares are issued, purchased or acquired by the Company, and held as treasury shares, and no Shares are held as subsidiary holdings, is 3,974,610 Shares, and (ii) 10% of its issued Shares which, based on the number of issued and paid-up Shares as at the Latest Practicable Date and assuming that on or prior to the Annual General Meeting, no further Shares are issued, purchased or acquired by the Company, and held as treasury shares, and no Shares are held as subsidiary holdings, is 264,974,030 Shares.

Notice of 55th Annual General Meeting

In the case of market purchases by the Company and assuming that the Company purchases or acquires the 3,974,610 Shares representing 0.15% of such issued Shares at the Maximum Price of S$0.387 for one Share (being the price equivalent to 5% above the average of the last dealt prices of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 3,974,610 Shares is S$1,538,175. In the case of off-market purchases by the Company and assuming that the Company purchases or acquires the 3,974,610 Shares representing 0.15% of such issued Shares at the Maximum Price of S$0.438 for one Share (being the price equivalent to 20% above the highest dealt prices of the Shares on the market day on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 3,974,610 Shares is S$1,740,880.

In the case of market purchases by the Company and assuming that the Company purchases or acquires the 264,974,030 Shares representing 10% of such issued Shares at the Maximum Price of S$0.387 for one Share (being the price equivalent to 5% above the average of the last dealt prices of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 264,974,030 Shares is S$102,544,950. In the case of off-market purchases by the Company and assuming that the Company purchases or acquires the 264,974,030 Shares representing 10% of such issued Shares at the Maximum Price of S$0.438 for one Share (being the price equivalent to 20% above the highest dealt prices of the Shares on the market day on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 264,974,030 Shares is S$116,058,626.

The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2018 based on these assumptions are set out in paragraph 3.7 of the Letter.

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies that has been executed by a member must be lodged at the registered office of the Company at 50 Raffles Place, #35-01, Singapore Land Tower, Singapore 048623 (Attention: Company Secretary), not less than 72 hours before the time appointed for the Annual General Meeting.

Notice of 55th Annual General Meeting

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Notes to the Proxy Form

Notes:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place, #35-01, Singapore Land Tower, Singapore 048623 (Attention: Company Secretary) not less than 72 hours before the time appointed for the Annual General Meeting. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.

5. The instrument appointing a proxy or proxies, must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Pacific Century Regional Developments Limited
(Incorporated in the Republic of Singapore)
Company Registration No. 196300381N

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares of Pacific Century Regional Developments Limited, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 18 March 2019.

Annual General Meeting Proxy Form

I/We, ______________________________ (NRIC/Passport/UEN No.) ______________

of ____ (Address)

being a member/members of Pacific Century Regional Developments Limited (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held at Raffles Town Club, Dunearn 3, Level 1, 1 Plymouth Avenue, Singapore 297753 on Tuesday, 2 April 2019 at 10.00 a.m. and at any adjournment thereof.

(Voting will be conducted by poll. Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.		For	Against
	Routine Business		
1	To adopt the Directors' Statement, Audited Financial Statements and Auditor's Report		
2	To approve a tax-exempt (one-tier) final dividend of S$0.024 per ordinary share and a tax-exempt (one-tier) special dividend of S$0.063 per ordinary share for the year ended 31 December 2018		
3	To re-elect the following Directors:		
	(a) Mr. Richard Li Tzar Kai		
	(b) Mr. Francis Yuen Tin Fan		
	(c) Ms. Frances Wong Waikwun		
4	To re-elect Mr. Christopher John Fossick as Director		
5	To approve Directors' fees for the year ended 31 December 2018		
6	To re-appoint Messrs PricewaterhouseCoopers LLP as Auditor and to authorise the Directors to fix its remuneration		
	Special Business		
7	To authorise the share issue mandate		
8	To approve the proposed renewal of the Shareholders Mandate for Interested Person Transactions		
9	To approve the proposed renewal of the Share Purchase Mandate		

Dated this ____________ day of ______________________ 2019.

Total Number of Shares Held	

____
Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ NOTES ON PAGE 126

Fold this flap here for sealing

Affix
Stamp
Here

The Company Secretary

PACIFIC CENTURY REGIONAL DEVELOPMENTS LIMITED

50 Raffles Place
#35-01 Singapore Land Tower
Singapore 048623

2nd fold here

3rd fold here

This annual report is printed on environmentally-friendly paper.

Pacific Century Regional Developments Limited

50 Raffles Place, #35-01 Singapore Land Tower,
Singapore 048623
Tel: (65) 6438 2366 Fax: (65) 6230 8777
Company Registration No. 196300381N

PACIFIC CENTURY REGIONAL DEVELOPMENTS LIMITED
(Incorporated in the Republic of Singapore)
Company Registration Number: 196300381N

Directors:

Richard Li Tzar Kai *(Chairman, Executive Director)*
Francis Yuen Tin Fan *(Deputy Chairman, Independent Non-Executive Director)*
Peter A. Allen *(Group Managing Director, Executive Director)*
Tom Yee Lat Shing *(Independent Non-Executive Director)*
Frances Wong Waikwun *(Independent Non-Executive Director)*
Laura Deal Lacey *(Independent Non-Executive Director)*
W. Michael Verge *(Non-Executive Director)*
Christopher John Fossick *(Independent Non-Executive Director)*

Registered Office:

50 Raffles Place
#35-01
Singapore Land Tower
Singapore 048623

To: The Shareholders of
Pacific Century Regional Developments Limited (the "**Company**")

18 March 2019

Dear Sir/Madam

1. INTRODUCTION

1.1 **Background**. We refer to:

(a) the Notice of the 55th Annual General Meeting ("**AGM**") of the Company dated 18 March 2019 (the "**Notice**"), accompanying the Annual Report for the financial year ended 31 December 2018, convening the 55th AGM of the Company to be held on 2 April 2019 (the "**2019 AGM**");

(b) Ordinary Resolution No. 8 relating to the proposed renewal of the Shareholders Mandate (as defined in paragraph 2.1 below) for interested person transactions, as proposed in the Notice; and

(c) Ordinary Resolution No. 9 relating to the proposed renewal of the Share Purchase Mandate (as defined in paragraph 3.1 below), as proposed in the Notice.

1.2 **Letter to Shareholders**. The purpose of this Letter is to provide shareholders of the Company ("**Shareholders**") with information relating to Ordinary Resolution Nos. 8 and 9, proposed in the Notice (collectively, the "**Proposals**").

1.3 **SGX-ST.** The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") takes no responsibility for the accuracy of any statements or opinions made or reports contained in this Letter.

1.4 **Advice to Shareholders.** Shareholders who are in any doubt as to the course of action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. Shareholders who have sold all their issued ordinary shares of the Company ("**Shares**") should immediately forward this Letter to the purchaser or to the stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser.

2. THE PROPOSED RENEWAL OF THE SHAREHOLDERS MANDATE FOR INTERESTED PERSON TRANSACTIONS

2.1 **Shareholders Mandate.** At the Annual General Meeting of the Company held on 23 April 2018 (the "**2018 AGM**"), Shareholders approved the adoption of a mandate (the "**Shareholders Mandate**") to enable the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual of the SGX-ST (the "**Listing Manual**")) to enter into certain interested person transactions ("**Interested Person Transactions**") as set out in the Shareholders Mandate. Particulars of the Shareholders Mandate were set out in Appendix 1 to the Letter to Shareholders dated 5 April 2018 (the "**2018 Letter**").

2.2 **Proposed Renewal.** At the 2018 AGM, the Shareholders Mandate was expressed to take effect until the conclusion of the next AGM of the Company, being the 2019 AGM which is scheduled to be held on 2 April 2019. Accordingly, the Directors of the Company (the "**Directors**") propose that the Shareholders Mandate be renewed at the 2019 AGM, to take effect until the 56th AGM of the Company. The particulars of the Interested Person Transactions in respect of which the Shareholders Mandate is sought to be renewed remain unchanged.

2.3 Details of the Shareholders Mandate, including the rationale for, and the benefits to, the Company, the review procedures for determining transaction prices with interested persons and other general information relating to Chapter 9 of the Listing Manual, are set out in the Appendix to this Letter.

2.4 **Audit Committee's Statement.** The Audit Committee (currently comprising Mr Tom Yee Lat Shing, Mr Francis Yuen Tin Fan, Ms Frances Wong Waikwun and Mr Christopher John Fossick) confirms that:

(a) the methods or procedures for determining transaction prices under the Shareholders Mandate have not changed since the 2018 AGM; and

(b) the methods or procedures referred to in sub-paragraph (a) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

2.5 **Abstention from Voting**. Pacific Century Group Holdings Limited ("**PCGH**") and its associates (as defined in the Listing Manual), being interested persons (as described in paragraph 4 of the Appendix) in relation to the Shareholders Mandate, will abstain from voting their Shares, if any, in respect of Ordinary Resolution No. 8, being the Ordinary Resolution relating to the proposed renewal of the Shareholders Mandate to be proposed at the 2019 AGM.

Mr Richard Li Tzar Kai and his associates which are companies in which he and his immediate family (as defined in the Listing Manual) together (directly or indirectly) have an interest of 30% or more, being interested persons (as described in paragraph 4 of the Appendix) in relation to the Shareholders Mandate, will abstain from voting their Shares, if any, in respect of Ordinary Resolution No. 8, being the Ordinary Resolution relating to the proposed renewal of the Shareholders Mandate to be proposed at the 2019 AGM. The interests of Mr Richard Li Tzar

Kai in the Shares extracted from the Register of Directors' Shareholdings as at 20 February 2019 (the "**Latest Practicable Date**"), are disclosed in paragraph 4.1 of this Letter.

In addition, the Company:

(a) will use its best endeavours to procure that such persons will abstain from voting their Shares, if any, in respect of Ordinary Resolution No. 8, being the Ordinary Resolution relating to the proposed renewal of the Shareholders Mandate to be proposed at the 2019 AGM;

(b) will procure that such persons will also decline to accept appointment as proxy for any Shareholder to vote in respect of Ordinary Resolution No. 8, unless the Shareholder concerned shall have given instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of Ordinary Resolution No. 8; and

(c) will disregard votes cast by (i) PCGH and its associates, and (ii) Mr Richard Li Tzar Kai in respect of his holdings of Shares (if any) and his associates which are companies in which he and his immediate family (as defined in the Listing Manual) together (directly or indirectly) have an interest of 30% or more, on Ordinary Resolution No. 8.

3. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

3.1 **Share Purchase Mandate**. At the 2018 AGM, Shareholders had approved the renewal of a mandate (the "**Share Purchase Mandate**") to enable the Company to purchase or otherwise acquire Shares. The rationale for, the authority and limitations on, and the financial effects of, the Share Purchase Mandate were set out in the 2018 Letter and Ordinary Resolution No. 9 set out in the Notice of the 2018 AGM.

The Share Purchase Mandate took effect on the date of the passing of Ordinary Resolution No. 9 at the 2018 AGM and will expire on the date of the forthcoming 2019 AGM to be held on 2 April 2019. Accordingly, Shareholders' approval is being sought for the renewal of the Share Purchase Mandate at the 2019 AGM.

As at the Latest Practicable Date, the Company has not purchased or acquired any Shares pursuant to the Share Purchase Mandate approved at the 2018 AGM.

3.2 **Rationale for the Share Purchase Mandate**. The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:

(a) In managing the business of the Company and its subsidiaries (the "**Group**"), management strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. Share purchases are one of the ways through which the return on equity of the Group may be enhanced.

(b) The Share Purchase Mandate is an expedient, effective and cost-efficient way for the Company to return surplus cash which is in excess of the financial and possible investment needs of the Group to Shareholders. In addition, the Share Purchase Mandate allows the Company to have greater flexibility over, *inter alia*, the Company's share capital structure with a view to enhancing the earnings per Share and/or net asset value per Share.

(c) The Share Purchase Mandate provides the Company with the flexibility to undertake share repurchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

The approval of the renewal of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake share purchases or acquisitions at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the 10% limit described in paragraph 3.3.1 below, it should be noted that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full 10% limit as authorised, and no purchases or acquisitions of Shares would be made in circumstances which would have or may have a material adverse effect on the financial condition of the Company.

3.3 **Authority and Limits of the Share Purchase Mandate**. The authority and limitations placed on the Share Purchase Mandate, if renewed at the 2019 AGM, are the same as were previously approved by Shareholders at the 2018 AGM, and are summarised below:

3.3.1 ***Maximum Number of Shares***

The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares as at the date of the 2019 AGM. Treasury shares and subsidiary holdings (as defined in the Listing Manual)[1] will be disregarded for purposes of computing the 10% limit.

As at the Latest Practicable Date, the Company had no treasury shares and no subsidiary holdings.

Purely for illustrative purposes, on the basis of 2,649,740,300 Shares in issue as at the Latest Practicable Date, and assuming that on or prior to the 2019 AGM:

(a) no further Shares are issued;

(b) no Shares are purchased or acquired by the Company and no Shares purchased or acquired by the Company are held by the Company as treasury shares; and

(c) no Shares are held as subsidiary holdings,

not more than 264,974,030 Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the proposed Share

[1] "Subsidiary holdings" is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

Purchase Mandate.

However, as stated in paragraph 3.2 above and 3.8 below, purchases or acquisitions pursuant to the Share Purchase Mandate need not be carried out to the full extent mandated, and, in any case, would not be carried out to such an extent that would result in the Company being delisted from the SGX-ST. **Thus, notwithstanding that the Share Purchase Mandate may enable purchases or acquisitions of up to 10% of the issued Shares (excluding treasury shares and subsidiary holdings) to be carried out, it should be noted that in order to maintain the listing status of the Shares on the SGX-ST, the Company must ensure (pursuant to Rule 723 of the Listing Manual) that there is at all times a public float of not less than 10% of its issued Shares (excluding treasury shares).** Accordingly, assuming solely for illustrative purposes that 268,948,640 Shares (or approximately 10.15% of the issued Shares (excluding treasury shares)) are held in public hands as at the Latest Practicable Date, in order to preserve the listing status of the Shares on the SGX-ST by maintaining a public float of not less than 10% in the issued Shares (excluding treasury shares), the Company would not purchase or acquire more than 3,974,610 Shares (or 0.15% of the issued Shares (excluding treasury shares and subsidiary holdings) as at that date) pursuant to the Share Purchase Mandate as at the Latest Practicable Date. The public float in the issued Shares as at the Latest Practicable Date is disclosed in paragraph 3.8 below.

Notwithstanding the above, the Company anticipates that the public float percentage of the issued Shares will change from time to time consequent upon the dynamic changing profile of public shareholders of the Company. For this reason, the Company is therefore seeking Shareholders' approval to enable the Company to purchase or acquire Shares up to a maximum of 10% of the issued Shares (excluding treasury shares and subsidiary holdings) for flexibility to prospectively cater to any future increase in the number of issued Shares held in public hands of up to 20%. If this occurs, the Company will be able to purchase or acquire in excess of 0.15% of its issued Shares (excluding Shares held in treasury and subsidiary holdings) up to a maximum of 10%.

3.3.2 ***Duration of Authority***

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the 2019 AGM, at which the renewal of the Share Purchase Mandate is approved, up to:

(a) the date on which the next AGM of the Company is held or required by law to be held;

(b) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied; or

(c) the date on which purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earliest.

3.3.3 ***Manner of Purchases or Acquisitions of Shares***

Purchases or acquisitions of Shares may be made by way of:

(a) on-market purchases ("**Market Purchases**"), effected on the SGX-ST, or on any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose; and/or

(b) off-market purchases ("**Off-Market Purchases**") effected otherwise than on a stock exchange, pursuant to an equal access scheme.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, Chapter 50 (the "**Companies Act**") as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements, and (2) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

If the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

(1) terms and conditions of the offer;

(2) period and procedures for acceptances;

(3) the reasons for the proposed purchase or acquisition of Shares;

(4) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Singapore Code on Take-overs and Mergers (the "**Take-over Code**") or other applicable take-over rules;

(5) whether the purchases or acquisitions of Shares, if made, could affect the listing of the Shares on the SGX-ST;

(6) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases),

giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases; and

(7) whether Shares purchased by the Company will be cancelled or kept as treasury shares.

3.3.4 ***Purchase Price***

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors. The maximum price to be paid for the Shares as determined by the Directors (the "**Maximum Price**") must not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(b) in the case of an Off-Market Purchase, 120% of the Highest Last Dealt Price of the Shares,

in either case, excluding related expenses of the purchase or acquisition.

For the above purposes:

"**Average Closing Price**" means the average of the last dealt prices of a Share for the five consecutive market days on which the Shares are transacted on the SGX-ST or, as the case may be, such stock exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs after the relevant five-day period;

"**Highest Last Dealt Price**" means the highest price transacted for the Shares as recorded on the market day on which the Shares are transacted on the SGX-ST or, as the case may be, such stock exchange on which the Shares are listed or quoted, immediately preceding the date of the making of the offer pursuant to the Off-Market Purchase; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

3.4 **Source of Funds**. Under the Companies Act, the Company may purchase or acquire its Shares out of its profits and/or capital so long as the Company is solvent.

The Company intends to use internal and external sources of funds to finance its purchase or acquisition of Shares. The Directors do not propose to exercise the Share Purchase Mandate in a manner and to such extent that the Group's working capital requirements and ability to service its debts would be adversely affected.

3.5 **Status of Purchased Shares**. Shares purchased or acquired by the Company are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to those Shares will expire on such cancellation) unless such Shares are held by the Company as treasury shares. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

3.6 **Treasury Shares**. Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

3.6.1 ***Maximum Holdings***

The number of Shares held as treasury shares[2] cannot at any time exceed 10% of the total number of issued Shares.

3.6.2 ***Voting and Other Rights***

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

3.6.3 ***Disposal and Cancellation***

Where Shares are held as treasury shares, the Company may at any time (but subject always to the Take-over Code):

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for its employees, directors or other persons;

(c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

[2] For these purposes, "treasury shares" shall be read as including shares held by a subsidiary under Sections 21(4B) or 21(6C) of the Companies Act, Chapter 50.

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

In addition, under Rule 704(28) of the Listing Manual, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares. Such announcement must include details such as the date of the sale, transfer, cancellation and/or use of such treasury shares, the purpose of such sale, transfer, cancellation and/or use of such treasury shares, the number of treasury shares which have been sold, transferred, cancelled and/or used, the number of treasury shares before and after such sale, transfer, cancellation and/or use, the percentage of the number of treasury shares against the total number of issued shares (of the same class as the treasury shares) which are listed before and after such sale, transfer, cancellation and/or use and the value of the treasury shares if they are used for a sale or transfer, or cancelled.

3.7 **Financial Effects**. The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of profits and/or capital of the Company, the number of Shares purchased or acquired, the price paid for such Shares and whether the Shares purchased or acquired are held in treasury or cancelled.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's profits and/or capital so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The financial effects on the Company and the Group, based on the audited financial statements of the Company and the Group for the financial year ended 31 December 2018, are based on the assumptions set out below.

3.7.1 ***Number of Shares Acquired or Purchased***

(I) ***Scenario I: Purchase or acquisition of 0.15% of the issued Shares by the Company***

Purely for illustrative purposes, on the basis of 2,649,740,300 Shares in issue and a public float of approximately 10.15% as at the Latest Practicable Date, and assuming that no further Shares are issued, purchased or acquired by the Company and no Shares purchased or acquired by the Company are held as treasury shares, and no Shares are held as subsidiary holdings, on or prior to the 2019 AGM, the exercise of the Share Purchase Mandate, on the Latest Practicable Date, up to an extent that would not affect adversely the listing status of the Shares on the SGX-ST, may result in the purchase or acquisition by the Company of 3,974,610 Shares representing 0.15% of such issued Shares (instead of a purchase or acquisition of 264,974,030 Shares representing 10% of such issued Shares).

(II) ***Scenario II: Purchase or acquisition of 10% of the issued Shares by the Company***

The illustrative financial effects below are prepared assuming a prospective hypothetical scenario after the Latest Practicable Date whereby future circumstances permit up to 10% of the issued Shares to be acquired or purchased by the Company without resulting in the listing status of the Shares on the SGX-ST being adversely affected.

Purely for illustrative purposes, on the basis of 2,649,740,300 Shares in issue and a public float of approximately 20% as at the Latest Practicable Date, and assuming that no further Shares are issued, purchased or acquired by the Company and no Shares purchased or acquired by the Company are held as treasury shares, and no Shares are held as subsidiary holdings, on or prior to the 2019 AGM, the exercise of the Share Purchase Mandate, on the Latest Practicable Date, up to an extent that would not affect adversely the listing status of the Shares on the SGX-ST, may result in the purchase or acquisition by the Company of 264,974,030 Shares representing 10% of such issued Shares.

3.7.2 ***Maximum Price Paid for Shares Acquired or Purchased***

(I) ***Scenario I: Purchase or acquisition of 0.15% of the issued Shares by the Company***

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 3,974,610 Shares representing 0.15% of such issued Shares (instead of a purchase or acquisition of 264,974,030 Shares representing 10% of such issued Shares) at the maximum price of S$0.387 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 3,974,610 Shares is S$1,538,175.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 3,974,610 Shares representing 0.15% of such issued Shares (instead of a purchase or acquisition of 264,974,030 Shares representing 10% of such issued Shares) at the maximum price of S$0.438 for one Share (being the price equivalent to 20% above the Highest Last Dealt Price of the Shares on the market day on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 3,974,610 Shares is S$1,740,880.

(II) ***Scenario II: Purchase or acquisition of 10% of the issued Shares by the Company***

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 264,974,030 Shares representing 10% of such issued Shares at the maximum price of S$0.387 for one Share (being the price equivalent to 5% above the Average Closing Price of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 264,974,030 Shares is S$102,544,950.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 264,974,030 Shares representing 10% of such issued Shares at the maximum price of S$0.438 for one Share (being the price equivalent to 20% above the Highest Last Dealt Price of the Shares on the market day on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 264,974,030 Shares is S$116,058,626.

3.7.3 ***Illustrative Financial Effects***

For illustrative purposes only and on the basis of the assumptions set out in paragraphs 3.7.1 and 3.7.2 above, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2018 are set out below and assuming the following:

(a) the purchase or acquisition of 3,974,610 Shares representing 0.15% of such issued Shares by the Company pursuant to the Share Purchase Mandate by way of Market Purchases made entirely out of capital and cancelled or held in treasury;

(b) the purchase or acquisition of 264,974,030 Shares representing 10% of such issued Shares by the Company pursuant to the Share Purchase Mandate by way of Market Purchases made entirely out of capital and cancelled or held in treasury;

(c) the purchase or acquisition of 3,974,610 Shares representing 0.15% of such issued Shares by the Company pursuant to the Share Purchase Mandate by way of Off-Market Purchases made entirely out of capital and cancelled or held in treasury; and

(d) the purchase or acquisition of 264,974,030 Shares representing 10% of such issued Shares by the Company pursuant to the Share Purchase Mandate by way of Off-Market Purchases made entirely out of capital and cancelled or held in treasury.

Market Purchases

The financial effects set out below are for illustrative purposes only. The illustrations are based on historical numbers for the financial year ended 31 December 2018 and are not necessarily representative of future financial performance.

The financial effects of the two alternative scenarios whereby share purchases up to a maximum of 0.15% and 10% of the issued Shares (excluding treasury shares and subsidiary holdings) are implemented by the Company, as set out above, are for illustrative purposes only. Although the Share Purchase Mandate would enable the Company to potentially purchase or acquire up to 10% of the issued Shares (excluding treasury shares and subsidiary holdings), based on a public float of approximately 10.15% as at the Latest Practicable Date, the Company is at present, only permitted to purchase or acquire up to 0.15% of the issued Shares (excluding treasury shares and subsidiary holdings) being the extent that would not affect adversely the listing status of the Shares on the SGX-ST as at the Latest Practicable Date. Even so, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 0.15% or, as the case may be, (if and when future circumstances permit) the entire 10% of the issued Shares (excluding treasury shares and subsidiary holdings). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

Even if the Share Purchase Mandate is approved, the Directors will not exercise the Share Purchase Mandate if the Group's working capital requirements and ability to service its debts would be adversely affected.

Market Purchases

(a) *Scenario (A) : Market Purchases of up to 0.15% out of capital and held as treasury shares*
Scenario (B) : Market Purchases of up to 0.15% out of capital and cancelled

As at 31 December 2018	Group Before Share Purchase (S$'000)	Group After Share Purchase (S$'000) Scenario A	Scenario B	Company Before Share Purchase (S$'000)	Company After Share Purchase (S$'000) Scenario A	Scenario B
Shareholders' funds	1,405,334	1,403,796	1,403,796	1,435,932	1,434,394	1,434,394
Net tangible assets (NTA) [(1)]	1,405,334	1,403,796	1,403,796	1,435,932	1,434,394	1,434,394
Current assets	29,032	27,494	27,494	9,229	7,691	7,691
Current liabilities	16,121	16,121	16,121	17,368	17,368	17,368
Total borrowings	13,108	13,108	13,108	12,973	12,973	12,973
Profit attributable to Shareholders	49,956	49,956	49,956	85,419	85,419	85,419
Cash and cash equivalents	13,109	11,571	11,571	8,685	7,147	7,147
Number of Shares ('000) [(2)]	2,649,740	2,645,766	2,645,766	2,649,740	2,645,766	2,645,766
Treasury shares ('000)	-	3,974	-	-	3,974	-
Financial Ratios						
Basic earnings per Share (cents)	1.89	1.89	1.89	3.22	3.23	3.23
NTA per Share (cents)	53.04	53.06	53.06	54.19	54.21	54.21
Gearing ratio [(3)]	0.01	0.01	0.01	0.01	0.01	0.01
Current ratio (times) [(4)]	1.80	1.71	1.71	0.53	0.44	0.44

Notes:

(1) NTA equals shareholders' funds less intangible assets.

(2) Based on the number of Shares issued as at the Latest Practicable Date and adjusted for the effect of the Share Purchase.

(3) Gearing ratio equals total borrowings divided by shareholders' funds.

(4) Current ratio equals current assets divided by current liabilities.

(b) Scenario (A) : Market Purchases of up to 10% out of capital and held as treasury shares
Scenario (B) : Market Purchases of up to 10% out of capital and cancelled

	Group			Company		
	Before Share Purchase (S$'000)	**After Share Purchase (S$'000)**		**Before Share Purchase (S$'000)**	**After Share Purchase (S$'000)**	
As at 31 December 2018		**Scenario A**	**Scenario B**		**Scenario A**	**Scenario B**
Shareholders' funds	1,405,334	1,302,789	1,302,789	1,435,932	1,333,387	1,333,387
Net tangible assets (NTA) (1)	1,405,334	1,302,789	1,302,789	1,435,932	1,333,387	1,333,387
Current assets	29,032	21,032	21,032	9,229	1,229	1,229
Current liabilities	16,121	110,666	110,666	17,368	111,913	111,913
Total borrowings	13,108	107,653	107,653	12,973	107,518	107,518
Profit attributable to Shareholders	49,956	49,956	49,956	85,419	85,419	85,419
Cash and cash equivalents	13,109	5,109	5,109	8,685	685	685
Number of Shares ('000) (2)	2,649,740	2,384,766	2,384,766	2,649,740	2,384,766	2,384,766
Treasury shares ('000)	-	264,974	-	-	264,974	-
<u>Financial Ratios</u>						
Basic earnings per Share (cents)	1.89	2.09	2.09	3.22	3.58	3.58

As at 31 December 2018	Group			Company		
	Before Share Purchase (S$'000)	After Share Purchase (S$'000)		Before Share Purchase (S$'000)	After Share Purchase (S$'000)	
		Scenario A	Scenario B		Scenario A	Scenario B
NTA per Share (cents)	53.04	54.63	54.63	54.19	55.91	55.91
Gearing ratio (3)	0.01	0.08	0.08	0.01	0.08	0.08
Current ratio (times) (4)	1.80	0.19	0.19	0.53	0.01	0.01

Notes:

(1) NTA equals shareholders' funds less intangible assets.

(2) Based on the number of Shares issued as at the Latest Practicable Date and adjusted for the effect of the Share Purchase.

(3) Gearing ratio equals total borrowings divided by shareholders' funds.

(4) Current ratio equals current assets divided by current liabilities.

Off-Market Purchases

The financial effects set out below are for illustrative purposes only. The illustrations are based on historical numbers for the financial year ended 31 December 2018 and are not necessarily representative of future financial performance.

The financial effects of the two alternative scenarios whereby share purchases up to a maximum of 0.15% and 10% of the issued Shares (excluding treasury shares and subsidiary holdings) are implemented by the Company, as set out above, are for illustrative purposes only. Although the Share Purchase Mandate would enable the Company to potentially purchase or acquire up to 10% of the issued Shares (excluding treasury shares and subsidiary holdings), based on a public float of approximately 10.15% as at the Latest Practicable Date, the Company is at present, only permitted to purchase or acquire up to 0.15% of the issued Shares (excluding treasury shares and subsidiary holdings) being the extent that would not affect adversely the listing status of the Shares on the SGX-ST as at the Latest Practicable Date. Even so, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 0.15% or, as the case may be, (if and when future circumstances permit) the entire 10% of the issued Shares (excluding treasury shares and subsidiary holdings). In addition, the Company may cancel all or part of the Shares repurchased or hold all or part of the Shares repurchased in treasury.

Even if the Share Purchase Mandate is approved, the Directors will not exercise the Share Purchase Mandate if the Group's working capital requirements and ability to service its debts would be adversely affected.

Off-Market Purchases

(c) Scenario (A) : Off-Market Purchases of up to 0.15% out of capital and held as treasury shares
Scenario (B) : Off-Market Purchases of up to 0.15% out of capital and cancelled

	Group			Company		
	Before Share Purchase (S$'000)	After Share Purchase (S$'000)		Before Share Purchase (S$'000)	After Share Purchase (S$'000)	
As at 31 December 2018		Scenario A	Scenario B		Scenario A	Scenario B
Shareholders' funds	1,405,334	1,403,593	1,403,593	1,435,932	1,434,191	1,434,191
Net tangible assets (NTA) (1)	1,405,334	1,403,593	1,403,593	1,435,932	1,434,191	1,434,191
Current assets	29,032	27,291	27,291	9,229	7,488	7,488
Current liabilities	16,121	16,121	16,121	17,368	17,368	17,368
Total borrowings	13,108	13,108	13,108	12,973	12,973	12,973
Profit attributable to Shareholders	49,956	49,956	49,956	85,419	85,419	85,419
Cash and cash equivalents	13,109	11,368	11,368	8,685	6,944	6,944
Number of Shares ('000) (2)	2,649,740	2,645,766	2,645,766	2,649,740	2,645,766	2,645,766
Treasury shares ('000)	-	3,974	-	-	3,974	-
<u>Financial Ratios</u>						
Basic earnings per Share (cents)	1.89	1.89	1.89	3.22	3.23	3.23

As at 31 December 2018	Group Before Share Purchase (S$'000)	Group After Share Purchase (S$'000) Scenario A	Group After Share Purchase (S$'000) Scenario B	Company Before Share Purchase (S$'000)	Company After Share Purchase (S$'000) Scenario A	Company After Share Purchase (S$'000) Scenario B
NTA per Share (cents)	53.04	53.05	53.05	54.19	54.21	54.21
Gearing ratio (3)	0.01	0.01	0.01	0.01	0.01	0.01
Current ratio (times) (4)	1.80	1.69	1.69	0.53	0.43	0.43

Notes:

(1) NTA equals shareholders' funds less intangible assets.

(2) Based on the number of Shares issued as at the Latest Practicable Date and adjusted for the effect of the Share Purchase.

(3) Gearing ratio equals total borrowings divided by shareholders' funds.

(4) Current ratio equals current assets divided by current liabilities.

(d) Scenario (A) : Off-Market Purchases of up to 10% out of capital and held as treasury shares
Scenario (B) : Off-Market Purchases of up to 10% out of capital and cancelled

As at 31 December 2018	Group Before Share Purchase (S$'000)	Group After Share Purchase (S$'000) Scenario A	Group After Share Purchase (S$'000) Scenario B	Company Before Share Purchase (S$'000)	Company After Share Purchase (S$'000) Scenario A	Company After Share Purchase (S$'000) Scenario B
Shareholders' funds	1,405,334	1,289,275	1,289,275	1,435,932	1,319,873	1,319,873
Net tangible assets (NTA) (1)	1,405,334	1,289,275	1,289,275	1,435,932	1,319,873	1,319,873
Current assets	29,032	21,032	21,032	9,229	1,229	1,229
Current liabilities	16,121	124,180	124,180	17,368	125,427	125,427

As at 31 December 2018	Group			Company		
	Before Share Purchase (S$'000)	After Share Purchase (S$'000)		Before Share Purchase (S$'000)	After Share Purchase (S$'000)	
		Scenario A	Scenario B		Scenario A	Scenario B
Total borrowings	13,108	121,167	121,167	12,973	121,032	121,032
Profit attributable to Shareholders	49,956	49,956	49,956	85,419	85,419	85,419
Cash and cash equivalents	13,109	5,109	5,109	8,685	685	685
Number of Shares ('000) (2)	2,649,740	2,384,766	2,384,766	2,649,740	2,384,766	2,384,766
Treasury shares ('000)	-	264,974	-	-	264,974	-
Financial Ratios						
Basic earnings per Share (cents)	1.89	2.09	2.09	3.22	3.58	3.58
NTA per Share (cents)	53.04	54.06	54.06	54.19	55.35	55.35
Gearing ratio (3)	0.01	0.09	0.09	0.01	0.09	0.09
Current ratio (times) (4)	1.80	0.17	0.17	0.53	0.01	0.01

Notes:

(1) NTA equals shareholders' funds less intangible assets.

(2) Based on the number of Shares issued as at the Latest Practicable Date and adjusted for the effect of the Share Purchase.

(3) Gearing ratio equals total borrowings divided by shareholders' funds.

(4) Current ratio equals current assets divided by current liabilities.

3.8 **Listing Status of the Shares**. Rule 723 of the Listing Manual requires a listed company to ensure that at least 10% of equity securities (excluding treasury shares, preference shares and convertible equity securities) in a class that is listed is at all times held by the public. Approximately 10.15% of the issued Shares were held by public Shareholders as at the Latest Practicable Date. No Shares were held by the Company as treasury shares as at the Latest Practicable Date. If the Company had purchased or acquired Shares from the public up to

0.15% of the issued Shares as explained in paragraph 3.3.1 above pursuant to the proposed Share Purchase Mandate on the Latest Practicable Date, approximately 10% of the issued Shares would have been held by public Shareholders as at that date.

The Company will ensure that there is a sufficient number of Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, causing market illiquidity or affecting orderly trading.

3.9 **Take-over Implications**. Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

3.9.1 ***Obligation to make a Take-over Offer***

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

3.9.2 ***Persons Acting in Concert***

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

(a) the following companies:

(i) a company;

(ii) the parent company of (i);

(iii) the subsidiaries of (i);

(iv) the fellow subsidiaries of (i);

(v) the associated companies of any of (i), (ii), (iii) or (iv);

(vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and

(vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights; and

(b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts).

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

3.9.3 ***Effect of Rule 14 and Appendix 2***

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 of the Take-over Code if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the renewal of the Share Purchase Mandate.

Based on the interests of the substantial Shareholders as recorded in the Register of Substantial Shareholders as at the Latest Practicable Date as set out in paragraph 4.2 below and as confirmed by the Securities Industry Council, none of the substantial Shareholders would become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code as a result of the purchase by the Company of the maximum limit of 10% of its issued Shares as at the Latest Practicable Date.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Securities Industry Council and/or their professional advisers at the earliest opportunity.

3.10 **Reporting Requirements.** Rule 886(1) of the Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (i) in the case of a Market Purchase, on the market day following the day of purchase or acquisition of any of its shares, and (ii) in the case of an Off-Market Purchase under an equal access scheme, on the second market day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8.3.1 to the Listing Manual) must include, *inter alia*, details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and subsidiary holdings after the purchase, the number of treasury shares held after the purchase and the number of subsidiary holdings after the purchase.

3.11 **No Purchases During Price Sensitive Developments**. While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed Share Purchase Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, the Company will not purchase or acquire any Shares through Market Purchases or Off-Market Purchases during the period of two weeks immediately preceding the announcement of the Company's results for each of the first three quarters of the financial year, and during the period of one month immediately preceding the announcement of the Company's annual results.

4. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

4.1 **Directors' Interests**. The interests of the Directors in the Shares, as extracted from the Register of Directors' Shareholdings, as at the Latest Practicable Date, are set out below:

	Number of Shares			
Directors	**Direct Interest**	**Deemed Interest**	**Total Interest**	**% of Issued Shares**
Richard Li Tzar Kai [(1)]	-	28,167,000	28,167,000	1.063
Francis Yuen Tin Fan	-	-	-	-
Peter A. Allen	5,010,000	-	5,010,000	0.189
Tom Yee Lat Shing	-	-	-	-
Frances Wong Waikwun	-	-	-	-
Laura Deal Lacey	-	-	-	-
W. Michael Verge	-	-	-	-
Christopher John Fossick	-	-	-	-

Note:

[(1)] Mr Richard Li Tzar Kai is deemed to be interested in 28,167,000 Shares held by Hopestar Holdings Limited, a company which is 100% owned by Mr Richard Li Tzar Kai.

4.2 **Substantial Shareholders' Interests**. The interests of the substantial Shareholders in the Shares, as extracted from the Register of Substantial Shareholders, as at the Latest Practicable Date, are set out below:

	Number of Shares			
Substantial Shareholders	**Direct Interest**	**Deemed Interest**	**Total Interest**	**% of Issued Shares**
Jenny W.L. Fung [(1)]	-	2,347,042,230	2,347,042,230	88.576
Lester Huang [(1)]	-	2,347,042,230	2,347,042,230	88.576
OS Holdings Limited [(1)]	-	2,347,042,230	2,347,042,230	88.576
Ocean Star Management Limited [(1)]	-	2,347,042,230	2,347,042,230	88.576
The Ocean Trust [(1)]	-	2,347,042,230	2,347,042,230	88.576
The Ocean Unit Trust [(1)]	-	2,347,042,230	2,347,042,230	88.576
The Starlite Trust [(1)]	-	2,347,042,230	2,347,042,230	88.576
The Starlite Unit Trust [(1)]	-	2,347,042,230	2,347,042,230	88.576
PCGH [(2)]	200,000	2,346,842,230	2,347,042,230	88.576
Pacific Century International Limited [(3)]	-	2,330,058,230	2,330,058,230	87.935
Pacific Century Group (Cayman Islands) Limited [(4)]	1,160,991,050	1,169,067,180	2,330,058,230	87.935
Anglang Investments Limited	1,169,067,180	-	1,169,067,180	44.120

Notes:

(1) In April 2004, Mr Richard Li Tzar Kai transferred his entire beneficial interest in PCGH to Ocean Star Management Limited as trustee holding for and on behalf of The Ocean Unit Trust and The Starlite Unit Trust. All the issued units of each of The Ocean Unit Trust and The Starlite Unit Trust are held by Star Ocean Ultimate Limited as trustee for and on behalf of The Ocean Trust and The Starlite Trust respectively. Ocean Star Management Limited is the wholly-owned subsidiary of OS Holdings Limited. Ms Jenny W.L. Fung and Mr Lester Huang each holds more than 20% of the shares of OS Holdings Limited. Each of The Ocean Trust, The Starlite Trust, The Ocean Unit Trust, The Starlite Unit Trust, Ms Jenny W.L. Fung, Mr Lester Huang, OS Holdings Limited and Ocean Star Management Limited is deemed to have an interest in 2,347,042,230 shares in the Company through PCGH (see Note 2).

(2) PCGH has a direct interest in 200,000 shares in the Company. PCGH is also deemed to be interested in (i) the 16,784,000 shares held by its wholly-owned subsidiary, Borsington Limited (ii) the 1,169,067,180 shares held by Anglang Investments Limited and (iii) the 1,160,991,050 shares held by Pacific Century Group (Cayman Islands) Limited.

(3) Pacific Century International Limited is deemed to be interested in (i) the 1,169,067,180 shares held by Anglang Investments Limited and (ii) the 1,160,991,050 shares held by Pacific Century Group (Cayman Islands) Limited.

(4) Pacific Century Group (Cayman Islands) Limited is deemed to be interested in the 1,169,067,180 shares held by Anglang Investments Limited.

5. DIRECTORS' RECOMMENDATIONS

5.1 **The Proposed Renewal of the Shareholders Mandate**. The Directors who are considered independent for the purposes of the proposed renewal of the Shareholders Mandate are Messrs Francis Yuen Tin Fan, Peter A. Allen, Tom Yee Lat Shing, W. Michael Verge, Christopher John Fossick, Ms Frances Wong Waikwun and Ms Laura Deal Lacey. The Independent Directors are of the opinion that the proposed renewal of the Shareholders Mandate to permit entry into the Interested Person Transactions (as described in paragraph 5 of the Appendix) between the PCRD Group (as described in paragraph 2 of the Appendix) and certain Interested Persons (as described in paragraph 4 of the Appendix) in the ordinary course of its business will enhance the efficiency of the PCRD Group and is in the best interests of the Company. For the reasons set out in paragraph 2 of the Appendix, the Independent Directors recommend that Shareholders vote in favour of Ordinary Resolution No. 8, being the Ordinary Resolution relating to the proposed renewal of the Shareholders Mandate to be proposed at the 2019 AGM.

The Independent Directors, in rendering their recommendation, have not had regard to the specific investment objectives, financial situation, tax position and/or unique needs and constraints of any Shareholder.

As different Shareholders would have different investment objectives, the Independent Directors recommend that any individual Shareholder who may require specific advice in relation to the Shareholders Mandate should consult his stockbroker, bank manager, solicitor, accountant or other professional advisers.

5.2 **The Proposed Renewal of the Share Purchase Mandate**. The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution No. 9, being the Ordinary Resolution relating to the proposed renewal of the Share Purchase Mandate to be proposed at the 2019 AGM.

6. INSPECTION OF DOCUMENTS

The following documents are available for inspection at the registered office of the Company at 50 Raffles Place, #35-01, Singapore Land Tower, Singapore 048623, during normal business hours from the date of this Letter up to the date of the 2019 AGM:

(a) the Annual Report of the Company for the financial year ended 31 December 2018;

(b) the Constitution of the Company; and

(c) the 2018 Letter.

The Annual Report of the Company for the financial year ended 31 December 2018 may also be accessed at the URL www.pcrd.com.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the Proposals, and the Company and its subsidiaries which are relevant to the Proposals, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in this Letter has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Letter in its proper form and context.

Yours faithfully
for and on behalf of
the Board of Directors of
PACIFIC CENTURY REGIONAL DEVELOPMENTS LIMITED

Richard Li Tzar Kai
Chairman

THE SHAREHOLDERS MANDATE

1. Chapter 9 of the Listing Manual

1.1 Chapter 9 of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be at risk, with the listed company's interested persons. Under this Chapter, a listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval for a transaction, when the value of that transaction alone or on aggregation with other transactions conducted with the same interested person during the financial year reaches, or exceeds, certain materiality thresholds.

1.2 Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested persons and hence are excluded from the ambit of Chapter 9, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain financial thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated net tangible assets ("**NTA**")) are reached or exceeded. In particular, shareholders' approval is required for an interested person transaction of a value equal to, or which exceeds:

(a) 5% of the listed company's latest audited consolidated NTA; or

(b) 5% of the listed company's latest audited consolidated NTA, when aggregated with other transactions entered into with the same interested person (as such term is construed under Chapter 9 of the Listing Manual) during the same financial year.

1.3 Based on the latest audited consolidated financial statements of Pacific Century Regional Developments Limited ("**PCRD**" or the "**Company**") and its subsidiaries (the "**Group**") for the financial year ended 31 December 2018, the consolidated NTA of the Group was approximately S$1,405 million. In relation to PCRD, for the purposes of Chapter 9 of the Listing Manual, in the current financial year and until such time as the consolidated audited financial statements of the Group for the financial year ending 31 December 2019 are published, 5% of the latest audited consolidated NTA of the Group would be approximately S$70 million.

1.4 Chapter 9 of the Listing Manual, however, permits a listed company to seek a mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's interested persons. A general mandate is subject to annual renewal.

1.5 Under the Listing Manual:

(a) an "**entity at risk**" means:

(i) the listed company;

(ii) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or

(iii) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed company and/or its subsidiaries (the "**listed group**"), or the listed group and its interested person(s), has control over the associated company;

(b) (in the case of a company) an "**interested person**" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder;

(c) (in the case of a company) an "**associate**" in relation to an interested person who is a director, chief executive officer or controlling shareholder means an immediate family member (that is, the spouse, child, adopted child, step-child, sibling or parent) of such director, chief executive officer or controlling shareholder, the trustees of any trust of which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which the director/his immediate family, the chief executive officer/his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, means its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more;

(d) an "**approved exchange**" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual; and

(e) an "**interested person transaction**" means a transaction between an entity at risk and an interested person.

2. Rationale for the Shareholders Mandate and Benefits to Shareholders

2.1 The PCRD Group (as defined below) engages in a diversified range of activities with interests in telecommunications and information technology, financial services, property and infrastructure investment and development.

2.2 Due to the diverse business interests and activities of the PCRD Group (as defined below), it is envisaged that in the ordinary course of their businesses, transactions between companies in the PCRD Group (as defined below) and PCRD's interested persons are likely to occur with some degree of frequency, and may arise from time to time. Such transactions would include, but are not limited to, the provision of goods and services in the ordinary course of business of the PCRD Group (as defined below) to PCRD's interested persons or the obtaining of goods and services from them for day-to-day operational needs.

2.3 In view of the time-sensitive nature of commercial transactions, the Shareholders Mandate pursuant to Chapter 9 of the Listing Manual will enable:

(a) PCRD;

(b) subsidiaries of PCRD (other than a subsidiary that is listed on the SGX-ST or an approved exchange, if any); and

(c) associated companies of PCRD (other than an associated company that is listed on the SGX-ST or an approved exchange, if any) over which the Group, or the Group and its interested person(s) has or have control,

(together, the "**PCRD Group**"), or any of them, in the ordinary course of their businesses, to enter into the categories of transactions ("**Interested Person Transactions**") set out in paragraph 5 below with the specified classes of PCRD's interested persons (the "**Interested Persons**") set out in paragraph 4 below, provided such Interested Person Transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its Shareholders (excluding those who are Interested Persons) (the "**Minority Shareholders**").

2.4 The Shareholders Mandate, and its subsequent renewal thereafter on an annual basis, will enhance the ability of companies in the PCRD Group to pursue business opportunities which are time-sensitive in nature, and will eliminate the need for PCRD to announce, or to announce and convene separate general meetings on each occasion to seek Shareholders' prior approval for the entry by the relevant company in the PCRD Group into such transactions. This will substantially reduce the expenses associated with the convening of general meetings on an *ad hoc* basis, improve administrative efficacy considerably, and allow manpower resources and time to be channelled towards attaining other corporate objectives.

2.5 The Shareholders Mandate is intended to facilitate transactions in the normal course of business of the PCRD Group which are transacted from time to time with the specified classes of Interested Persons, provided that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its Minority Shareholders.

3. The Shareholders Mandate and Validity Period

3.1 The Shareholders Mandate covers a wide range of activities undertaken by the PCRD Group. These activities are set out in detail in paragraph 5 below.

3.2 The Shareholders Mandate does not cover an Interested Person Transaction which has a value that is below S$100,000 as the threshold and aggregation requirements contained in Chapter 9 of the Listing Manual would not apply to such an Interested Person Transaction.

3.3 Transactions with interested persons (including the Interested Persons) that do not fall within the ambit of the Shareholders Mandate will be subject to the relevant provisions of Chapter 9 of the Listing Manual and/or other applicable provisions of the Listing Manual.

3.4 The renewal of the Shareholders Mandate will take effect from the date of the passing of the Ordinary Resolution relating thereto to be proposed at the Annual General Meeting to be held on 2 April 2019 until the next Annual General Meeting of the Company (unless sooner revoked or varied by the Company in general meeting). Thereafter, it is intended that approval from Shareholders for subsequent renewals of the Shareholders Mandate will be sought at each subsequent Annual General Meeting of the Company.

4. Classes of Interested Persons

The Shareholders Mandate applies to Interested Person Transactions which are carried out with the following classes of Interested Persons:

(a) Pacific Century Group Holdings Limited ("**PCGH**") and its associates (as defined in the Listing Manual) (the "**PCGH Group**"); and

(b) Mr Richard Li Tzar Kai, a Director of PCRD, and any company in which he and his immediate family (as defined in the Listing Manual) together (directly or indirectly) have an interest of 30% or more.

The PCGH Group includes, but is not limited to, Pacific Century International Limited ("**PCIL**") and Pacific Century Group (Cayman Islands) Limited ("**PCG**"). PCG is a wholly-owned subsidiary of PCIL, which is in turn a wholly-owned subsidiary of PCGH.

It is anticipated that transactions (as described in paragraph 5 below) may arise between the PCRD Group and the PCGH Group, and/or the PCRD Group and Mr Richard Li and/or any company in which he and his immediate family (as defined in the Listing Manual) together (directly or indirectly) have an interest of 30% or more .

5. Interested Person Transactions

The Interested Person Transactions with the Interested Persons which are covered by the Shareholders Mandate, and the benefits to be derived therefrom, are set out below:

(a) Property-related Transactions

This category relates to the provision to, or the obtaining from, Interested Persons of products and services in the normal course of business of the PCRD Group. The transactions within this category comprise:

(i) the leasing and/or rental of properties;

(ii) the provision of property maintenance and property management services; and

(iii) the provision or obtaining of such other products and services which are incidental to or in connection with the provision or obtaining of products and services in sub-paragraphs (i) to (ii) above,

(the "**Property-related Transactions**").

The PCRD Group will benefit from transacting with Interested Persons, in addition to non-Interested Persons, in an expeditious manner. The PCRD Group would also benefit from an additional source of revenue, as well as having access to competitive quotes from Interested Persons.

(b) Borrowings

This category of transactions pertains to the obtaining of financial assistance and services, including the borrowing of funds, from Interested Persons, as well as transactions that are undertaken by the PCRD Group in connection with the management of its funding requirements ("**Borrowings**").

The PCRD Group can benefit from competitive rates or quotes offered by Interested Persons, as well as by leveraging on the financial strength and credit standing of the Interested Persons in an expeditious manner.

(c) Group Management and Support Services

This category ("**Management and Support Services**") relates to transactions by the PCRD Group in connection with the provision to, or the obtaining from, Interested Persons of management and support services in the areas of finance, insurance, treasury, business development, management information systems, corporate secretarial services and human resources management and development services (including staff secondment).

The PCRD Group will benefit from transacting with Interested Persons, in addition to non-Interested Persons, in an expeditious manner. The PCRD Group would also benefit from an additional source of revenue, as well as having access to competitive quotes from Interested Persons.

6. Review Procedures for Interested Person Transactions

6.1 In general, there are procedures established by the PCRD Group to ensure that transactions with Interested Persons are undertaken on normal commercial terms consistent with the PCRD Group's usual business practices and policies, which are generally no more favourable to the Interested Persons than those extended to unrelated third parties.

(a) Property-related Transactions and Management and Support Services

In relation to Property-related Transactions and Management and Support Services, such Interested Person Transactions shall be entered into, where applicable, at the prevailing rates/prices of the service or product provider which (in relation to services or products to be provided to an Interested Person) are no more favourable to the Interested Person than those extended to third parties, or (in relation to services or products to be obtained from an Interested Person) are no less favourable than those extended by the Interested Person to third parties, on the service or product provider's usual commercial terms or otherwise in accordance (where applicable) with industry norms.

To determine whether the prices and terms offered to the Interested Person are no more favourable than those extended to third parties, rates and terms offered to at least two unrelated third parties for transactions of a similar nature, size or complexity are compared taking into account factors such as the availability of resources, expertise or manpower for the performance of the services or the provision of such goods and the existence of any cost and/or time saving factors.

To determine whether the terms offered by the Interested Person are fair and reasonable and no less favourable than those extended by the Interested Person to unrelated third parties, rates and terms offered by or generally quoted by at least two unrelated third parties who are engaged in providing similar services or products are compared.

For Property-related Transactions relating to the leasing and/or rental of properties, such comparison should also take into account the prevailing market rental rates for other properties within its vicinity of similar or comparable standing and facilities, the tenure of the lease, the area of the leased premises and any other factor which may affect the rental rates or terms of the lease.

In the event that comparison quotations cannot be obtained in respect of the Interested Person Transactions which involve the leasing of properties since the nature of real estate is such that there may be properties which are unique without a comparable benchmark, such Interested Person Transactions shall be entered into only after the senior executive(s) of the relevant company within the PCRD Group (having no interest, direct or indirect, in the transaction) has evaluated and has satisfied himself (including by reference to historical rent for comparable leases (based on information provided by consultants or otherwise)) of the reasonableness of the quantum of such rent for the leasing of properties offered to or by the Interested Person, and that such terms are fair and are not prejudicial nor disadvantageous to the PCRD Group.

Threshold Limits

In addition, the following review procedures will apply to Property-related Transactions and Management and Support Services:

(i) a transaction with a value equal to or less than:

(1) 2% of the latest audited consolidated NTA of the Group; or

(2) S$20,000,000,

whichever is the lower, shall be reviewed and approved by a Director of the Company appointed by the Audit Committee from time to time for such purpose or, failing him, such other senior executive(s) designated by the Audit Committee from time to time for this purpose (having no interest, direct or indirect, in the transaction), and all such transactions shall be reviewed on a quarterly basis by the Audit Committee; and

(ii) a transaction with a value exceeding:

(1) 2% of the latest audited consolidated NTA of the Group; or

(2) S$20,000,000,

whichever is the lower, shall be reviewed and approved by the Audit Committee prior to entering such an Interested Person Transaction.

(b) Borrowings

In relation to the borrowing of funds from any Interested Person by the PCRD Group, the Company will require that quotations be obtained from such Interested Person and at least two of the principal bankers of the PCRD Group for rates for loans from such bankers of an equivalent amount, and for an equivalent period, as the funds to be borrowed by the PCRD Group. The PCRD Group will only borrow funds from such Interested Person provided that the terms quoted are no less favourable to the PCRD Group than the terms quoted by such principal bankers.

Threshold Limits

Where the interest expense on any borrowing from an Interested Person when aggregated with the interest expense incurred by the PCRD Group on previous borrowings from the same Interested Person (as such term is construed under Chapter 9 of the Listing Manual) in the financial year exceeds:

(1) 2% of the latest audited consolidated NTA of the Group; or

(2) S$20,000,000,

whichever is the lower, such (and each subsequent) borrowing from that Interested Person in the same financial year shall require the prior approval of the Audit Committee.

Borrowings from the same Interested Persons in respect of which the interest expense in aggregate does not exceed the limit set out above will be reviewed and approved by a Director of the Company appointed by the Audit Committee from time to time for such purposes or, failing him, such other senior executive(s) of the Company designated by the Audit Committee from time to time for such purpose (having no interest, direct or indirect, in the transaction), and shall be reviewed on a quarterly basis by the Audit Committee.

If deemed necessary or desirable, the relevant member of the Board of Directors, Audit Committee or any senior executive of the Company designated by the Audit Committee from time to time (where applicable), may at his or their own discretion, at the expense of the Company, obtain independent advice from external or professional sources to facilitate their review and approval of an Interested Person Transaction.

6.2 A register will be maintained by PCRD to record all Interested Person Transactions and the basis (including the quotations obtained to support such basis) on which they are entered into pursuant to the Shareholders Mandate. The annual external audit plan of PCRD shall incorporate a review of all Interested Person Transactions entered into in the relevant financial year pursuant to the Shareholders Mandate. The external auditors will review Interested Person Transactions to check, amongst other things, that the guidelines and review procedures for Interested Person Transactions have been adhered to and the relevant approvals have been obtained. The external auditors will report to the Audit Committee any non-compliance issues noted from the reviews.

6.3 The Audit Committee reviews Interested Person Transactions reports quarterly and the adequacy of internal control procedures on Interested Person Transactions to confirm that the guidelines and review procedures for Interested Person Transactions have been complied with.

6.4 In the event that a member of the Board of Directors, Audit Committee or any senior executive of the Company designated by the Audit Committee from time to time (where applicable) is interested in any Interested Person Transaction, he will abstain from any decision-making in respect of that transaction and the review, endorsement and approval of that transaction will be undertaken by the other members of the Board of Directors, Audit Committee or such other senior executive(s) designated by the Audit Committee from time to time for such purposes (having no interest, direct or indirect, in the transaction) (as the case may be).

7. Audit Committee's Statements

7.1 The Audit Committee (currently comprising Mr Tom Yee Lat Shing, Mr Francis Yuen Tin Fan, Ms Frances Wong Waikwun and Mr. Christopher John Fossick) has reviewed the terms of the Shareholders Mandate, as proposed to be renewed, and is satisfied that the review procedures for Interested Person Transactions, as well as the reviews to be made periodically by the Audit Committee (with management assistance) in relation thereto, are sufficient to ensure that Interested Person Transactions will be made with the relevant class of Interested Persons on normal commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

7.2 If as a result of any of the reviews by the Audit Committee, the Audit Committee forms the view that the guidelines and review procedures for Interested Person Transactions have become inappropriate or insufficient due to changes in the nature of, or manner in which, the business activities of the PCRD Group or the Interested Persons are conducted, PCRD will revert to Shareholders for a fresh general mandate based on new guidelines and review procedures so that Interested Person Transactions always will be carried out at arm's length, on commercial terms and will not be prejudicial to the interests of the Company and its Minority Shareholders.

8. Disclosure

8.1 PCRD will announce the aggregate value of transactions conducted with Interested Persons pursuant to the Shareholders Mandate for the financial periods which PCRD is required to report on pursuant to the Listing Manual and within the time required for the announcement of such report.

8.2 Disclosure will also be made in the annual report of PCRD of the aggregate value of Interested Person Transactions conducted pursuant to the Shareholders Mandate during the current financial year, and in the annual reports for the subsequent financial years during which a Shareholders Mandate is in force, in accordance with the requirements of the Listing Manual.