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Pacific Century Premium Developments
盈科大衍地產發展

PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED

盈 科 大 衍 地 產 發 展 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00432)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2010

The board of directors (the "Board") of Pacific Century Premium Developments Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended December 31, 2010, together with comparative figures for the previous year.

- Consolidated turnover down 65 per cent to HK$1,495 million
- Consolidated operating profit up 46 per cent to HK$1,409 million
- Profit attributable to the Company's equity holders up 45 per cent to HK$864 million
- Basic earnings per share 35.89 Hong Kong cents
- The Board did not recommend the payment of a final dividend

Profit for the year

The Group's audited profit attributable to equity holders of the Company for 2010 amounted to HK$864 million. Basic earnings per share were 35.89 Hong Kong cents.

BUSINESS REVIEW

Property development

The Group's revenue from property development in Hong Kong for the year ended December 31, 2010 amounted to approximately HK$1,100 million, as compared to approximately HK$3,855 million for the previous year.

In Hong Kong, the sale of houses at Villa Bel-Air will continue. In 2010, eight villas in Bel-Air were sold at favourable prices.

In Japan, the Group is developing an all-season resort project at Hanazono, Hokkaido. The development will consist of hotels, apartments and villas. The total net floor area of the first phase of apartment development is approximately 23,000 square metres.

In June 2010, the Group has signed contracts with one of the top-class international hotel operators for the management of a hotel in its project in Phang-nga, southern Thailand.

Property investment in mainland China

Covering a gross floor area of more than approximately 169,900 square metres, Pacific Century Place in Beijing, the Group's investment property, currently accommodates many corporations, retailers and residential tenants. The property had an average occupancy rate of approximately 76 per cent for the year ended December 31, 2010.

The Group's gross rental income amounted to approximately HK$215 million for 2010, as compared to approximately HK$212 million for 2009.

Other businesses

The Group's other businesses included facilities management and property management in Hong Kong, mainland China and Japan, as well as the Hanazono all-season resort operation. The revenue from these other businesses for 2010 amounted to approximately HK$180 million, as compared to approximately HK$155 million for the previous year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note(s)	For the year ended December 31, **2010** *HK$ million*	2009 *HK$ million*
Turnover	3, 4	**1,495**	4,222
Cost of sales		**(748)**	(3,032)
Gross profit		**747**	1,190
General and administrative expenses		**(524)**	(610)
Other income		**34**	210
Other gains, net	5	**2**	176
Surplus on revaluation of investment properties		**1,150**	—
Operating profit		**1,409**	966
Interest income		**16**	11
Finance costs	6	**(174)**	(155)
Profit before taxation	7	**1,251**	822
Income tax	8	**(387)**	(228)
Profit attributable to equity holders of the Company		**864**	594
Other comprehensive income/(loss):			
Currency translation differences:			
Exchange differences on translating foreign operations		**268**	24
Less: Reclassification adjustments arisen from disposal of subsidiaries		**—**	(73)
Other comprehensive income/(loss) for the year, net of tax		**268**	(49)
Total comprehensive income		**1,132**	545
Dividends			
Special dividend proposed after the balance sheet date	9	**—**	3,178
Earnings per share (expressed in Hong Kong cents per share)			
Basic	10	**35.89 cents**	24.68 cents
Diluted	10	**33.16 cents**	24.11 cents
Dividends per share (expressed in Hong Kong dollars per share)	9	**—**	1.32 dollars

CONSOLIDATED BALANCE SHEET

	Note	**December 31, 2010** *HK$ million*	December 31, 2009 *HK$ million*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**5,152**	3,866
Property, plant and equipment		**215**	181
Properties under development		**428**	356
Properties held for development		**624**	548
Goodwill		**4**	3
Other receivables		**3**	6
Deferred income tax assets		**—**	13
		6,426	4,973
Current assets			
Properties under development/held for sale		**773**	683
Sales proceeds held in stakeholders' accounts		**845**	1,271
Restricted cash		**2,249**	949
Trade receivables, net	11	**10**	172
Prepayments, deposits and other current assets		**109**	151
Amounts due from fellow subsidiaries		**50**	42
Amounts due from related companies		**3**	2
Cash and cash equivalents		**2,179**	5,506
		6,218	8,776

	Note	**December 31, 2010** *HK$ million*	December 31, 2009 *HK$ million*
Current liabilities			
Current portion of long-term borrowings		**24**	24
Trade payables	12	**31**	45
Accruals, other payables and deferred income		**976**	1,237
Deposits received on sales of properties		**65**	84
Amounts due to fellow subsidiaries		**4**	6
Amount payable to the HKSAR Government under the Cyberport Project Agreement		**1,606**	833
Current income tax liabilities		**108**	102
		2,814	2,331
Net current assets		**3,404**	6,445
Total assets less current liabilities		**9,830**	11,418
Non-current liabilities			
Long-term borrowings		**2,374**	2,241
Deferred income tax liabilities		**591**	266
		2,965	2,507
Net assets		**6,865**	8,911
REPRESENTING:			
Issued equity		**4,321**	4,321
Reserves		**2,544**	4,590
		6,865	8,911

Notes:

1. Statement of Compliance

These financial statements have been prepared in accordance with the applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Companies Ordinance of Hong Kong. The principal accounting policies were applied in the preparation of these financial statements. These policies have been consistently applied to the years presented, unless otherwise stated.

2. Basis of Preparation

The consolidated financial statements for the year ended December 31, 2010 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost convention, as modified by the revaluation of investment properties, which are carried at fair value.

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group. The following sets out the changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

Standards, amendments and interpretations effective from January 1, 2010 adopted by the Group but have no significant impact on the Group's financial statements

HKAS 1	Current/Non-current Classification of Convertible Instruments
HKAS 7	Classification of Expenditures on Unrecognised Assets
HKAS 17	Classification of Leases of Land and Buildings and Consequential amendment to HK-Int 4 – Determining whether an Arrangement contains a Lease
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 36	Unit of Accounting for Goodwill Impairment Test
HKAS 38	Additional Consequential Amendments arising from HKFRS 3 (revised) and Measuring Fair Value of an Intangible Asset Acquired in Business Combination
HKAS 39	Treating Loan Prepayment Penalties as Closely Related Derivatives, Cash Flow Hedge Accounting, Scope Exemption for Business Combination Contracts
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2	Share-based Payment
HKFRS 3 (Revised)	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8	Disclosure of Information about Segment Assets
HK(IFRIC)-Int 9 and HKFRS 3 (Revised)	Reassessment of Embedded Derivatives and Business Combination
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfer of Assets from Customers
HK-Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

2. Basis of Preparation - Continued

The following new standards, amendments and interpretations have been issued but are not yet effective for the year ended December 31, 2010 and which the Group has not early adopted:

HKAS 12 (Amendment)	Deferred tax: Recovery of underlying assets (effective for annual periods beginning on or after January 1, 2012)
HKAS 24 (Revised)	Related Party Disclosures (effective from annual periods beginning on or after January 1, 2011)
HKAS 32 (Amendment)	Classification of Rights Issues (effective for annual periods beginning on or after February 1, 2010)
HKFRS 9	Financial Instruments (effective for annual periods beginning on or after January 1, 2013)
HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after January 1, 2011)
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 1, 2010)

The Group has already commenced an assessment of the impact of these new HKFRS but is not yet in a position to state whether these new HKFRS would have a significant impact on its results of operations and financial position.

3. Turnover

Turnover comprises the revenue recognised in respect of the following businesses:

	For the year ended December 31,	
	2010	2009
	HK$ million	*HK$ million*
Property development	**1,100**	3,855
Property investment	**216**	214
Other businesses	**179**	153
	1,495	4,222

4. Segment Information

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

a. Business segments

	Property development in Hong Kong		Property investment in mainland China		Other businesses (note i)		Elimination		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Revenue from external customers	**1,100**	3,855	**215**	212	**180**	155	**—**	—	**1,495**	4,222
Inter-segment revenue	**—**	—	**—**	—	**4**	38	**(4)**	(38)	**—**	—
Reportable segment revenue	**1,100**	3,855	**215**	212	**184**	193	**(4)**	(38)	**1,495**	4,222
Interest income	**2**	2	**6**	5	**—**	—	**—**	—	**8**	7
Unallocated interest income									**8**	4
Consolidated interest income									**16**	11
Finance costs	**—**	—	**1**	—	**—**	—	**—**	—	**1**	—
Unallocated finance costs									**173**	155
Consolidated finance costs									**174**	155
Depreciation and amortisation	**1**	2	**16**	13	**16**	15	**—**	—	**33**	30
Unallocated depreciation and amortisation									**9**	6
Consolidated depreciation and amortisation									**42**	36
(Reversal of)/Provision for impairment losses	**(33)**	91	**1**	—	**1**	15	**—**	—	**(31)**	106
Profit/(loss) before taxation	**440**	901	**1,247**	85	**(51)**	171	**—**	—	**1,636**	1,157
Unallocated corporate expenses									**(385)**	(335)
Consolidated profit before taxation									**1,251**	822
Income tax	**70**	163	**315**	26	**(3)**	33	**—**	—	**382**	222
Unallocated income tax									**5**	6
Consolidated income tax									**387**	228

4. Segment Information - Continued

a. Business segments - Continued

	Property development in Hong Kong		Property investment in mainland China		Other businesses (note i)		Elimination		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Addition to non-current segment assets during the year	**—**	—	**34**	30	**58**	56	**—**	—	**92**	86
Unallocated addition									**13**	7
Consolidated addition to non-current segment assets during the year									**105**	93
Segment assets	**3,925**	3,113	**5,739**	4,323	**1,352**	1,204	—	—	**11,016**	8,640
Unallocated corporate assets									**1,628**	5,109
Consolidated total assets									**12,644**	13,749
Segment liabilities	**2,565**	2,092	**670**	322	**86**	65	—	—	**3,321**	2,479
Unallocated corporate liabilities									**2,458**	2,359
Consolidated total liabilities									**5,779**	4,838

(i) Revenue from segments below the quantitative thresholds are attributable to six operating segments of the Group. Those segments include property development in Thailand and Japan, property management in Hong Kong and Japan, facilities management and ski operation. None of these segments has ever met any of the quantitative thresholds for determining reportable segments.

4. **Segment Information - Continued**

b. Geographical information

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, non-current properties under development, properties held under development, goodwill and other non-current receivables ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in case of intangible assets and goodwill, and the location of operations.

	Revenue from external customers		**Specified non-current assets**	
	2010	2009	**2010**	2009
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
Hong Kong (place of domicile)	**1,189**	3,951	**52**	50
Mainland China	**217**	220	**5,226**	3,923
Japan	**89**	51	**523**	437
Thailand	**—**	—	**625**	550
	1,495	4,222	**6,426**	4,960

5. **Other gains, net**

	For the year ended December 31,	
	2010	2009
	HK$ million	*HK$ million*
Gain on rental guarantee	**2**	40
Gain on disposal of subsidiaries	**—**	232
Impairment losses	**—**	(96)
	2	176

6. **Finance Costs**

	For the year ended December 31,	
	2010	2009
	HK$ million	*HK$ million*
Interest expenses:		
Convertible notes wholly repayable over two years, but not exceeding five years	**157**	149
Other borrowing costs	**17**	6
	174	155

7. Profit Before Taxation

Profit before taxation is stated after crediting and charging the following:

	For the year ended December 31,	
	2010	2009
	HK$ million	*HK$ million*
Crediting:		
Gross rental income from investment properties	**216**	214
Other rental income	**—**	6
Less: outgoings	**(24)**	(31)
Other income from deposits forfeited	**20**	209
Charging:		
Cost of properties sold	**640**	2,917
Depreciation	**42**	35
Amortisation of leasehold land	**—**	1
Staff costs, included in:		
- cost of sales	**46**	63
- general and administrative expenses	**157**	171
Contributions to defined contribution retirement schemes, included in:		
- cost of sales	**2**	3
- general and administrative expenses	**8**	11
Auditors' remuneration	**4**	4
Operating lease rental of land and buildings, included in		
- cost of sales	**—**	2
- general and administrative expenses	**48**	40
Operating lease rental of equipment	**1**	1
Surplus on revaluation of investment properties	**1,150**	—
(Reversal of)/Provision for impairment of trade receivables	**(32)**	10
Net foreign exchange gain	**(7)**	(3)

8. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2009: 16.5 per cent) on the estimated assessable profits for the year.

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

	For the year ended December 31,	
	2010	2009
	HK$ million	*HK$ million*
Hong Kong profits tax		
- Provision for current year	**65**	185
- Over provision in respect of prior years	**(24)**	—
Overseas income tax		
- Provision for current year	**17**	8
- Over provision in respect of prior years	**—**	(1)
Deferred income tax relating to the origination and reversal of temporary differences	**329**	36
	387	228

9. Dividends

	For the year ended December 31,	
	2010	2009
	HK$ million	*HK$ million*
Final dividend proposed after the balance sheet date (2009: Nil)	**—**	—
Special dividend of HK$1.32 per ordinary share proposed after the balance sheet date	**—**	3,178
	—	3,178

There was no final dividend paid for 2010. Special dividend of HK$3,178 million for 2009, which comprised HK$1.32 per ordinary share was paid on May 17, 2010. The special dividend proposed after the balance sheet date for 2009 had not been recognised as a liability as at the balance sheet date.

10. Earnings Per Share

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

	For the year ended December 31,	
	2010	2009
	HK$ million	*HK$ million*
Earnings for the purpose of calculating the basic earnings per share	**864**	594
Finance costs on convertible notes	**157**	149
Earnings for the purpose of calculating the diluted earnings per share	**1,021**	743

	2010	2009
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share	**2,407,459,873**	2,407,459,873
Effect of dilutive potential ordinary shares on conversion of convertible notes and employee share options	**672,222,222**	672,222,222
Weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share	**3,079,682,095**	3,079,682,095

11. Trade Receivables, Net

An aging analysis of trade receivables is set out below:

	December 31, 2010	December 31, 2009
	HK$ million	*HK$ million*
Current	**10**	13
One to three months	**—**	—
More than three months	**1**	192
	11	205
Less: Provision for impairment	**(1)**	(33)
	10	172

Trade receivables in respect of properties sold are payable by the purchasers pursuant to the terms of the sales contracts. Other trade receivables have a normal credit period ranges up to 30 days from the date of the invoice unless there is separate mutual agreement on extension of the credit period.

12. Trade Payables

An aging analysis of trade payables is set out below:

	December 31, 2010	December 31, 2009
	HK$ million	*HK$ million*
Current	**29**	13
One to three months	**1**	32
More than three months	**1**	—
	31	45

13. Critical Accounting Estimates and Judgements

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

a. The management have made judgements in applying the Group's accounting policies. The judgements that have the most significant effect on the amounts recognised in the financial statements are discussed below:

(i) Sales recognition on properties sold

When the inflow of economic benefits associated with the property sales transaction is assessed to be probable and significant risks and rewards of ownership of properties are transferred to the purchasers, the Group recognised revenue in respect of the properties sold.

Management made judgement on whether the economic benefits associated with the property sales transaction will flow to the Group. Likelihood of inflow of economic benefits to the Group is demonstrated by the purchaser's commitment to pay, which in turn is supported by substantial investment that gives the purchaser a stake in the property sufficient that the risk of loss through default motivates the purchaser to honour the obligation to the Group. Inflow of economic benefits associated with the property sales transaction is also assessed by considering location of the property and the prevailing market price of similar properties.

Management has also made judgement on when significant risks and rewards of ownership of properties are transferred to the purchasers. Risk and rewards of ownership of properties are transferred to the purchasers upon execution of legally binding unconditional sales contracts upon which the beneficial interest in the properties passes to the purchasers.

The judgement on the likelihood of inflow of economic benefits associated with the property sales transaction and the transfer of risks and rewards of ownership of properties would affect the Group's profit for the year and the carrying value of properties under developments/held for sale.

(ii) Purchase price allocation

The fair value of the assets of the subsidiary acquired at the acquisition date was determined by management's assessment of the fair value of the assets. A portion of the purchase price is allocated to the business of the acquired subsidiary based on the projected cash flow forecast of the business. Had management determined that a different fair value of the assets of the subsidiary acquired at the acquisition date and different assumptions used for the preparation of the cash flow forecast of the business of the acquired subsidiary, this would have caused different amount of asset value and goodwill at the date of acquisition.

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

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

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

The amount payable to the HKSAR Government is a financial liability that is measured at amortised cost. Borrowing costs associated with this liability are capitalised as part of the properties under development.

The estimated cost of developing the Cyberport project, including construction costs and the amounts paid and payable to the HKSAR Government, is allocated to the cost of properties sold on a systematic basis over the life of the project using a relative value approach. This approach considers the value of development costs attributable to phases for which revenue has been recognised to date relative to the total expected value of development costs for the development as a whole. The revision of estimates of these relative values during 2010 has resulted in the costs of properties sold recorded in the year ended December 31, 2010 being decreased by HK$95 million.

Under the Cyberport Project Agreement, a Development Maintenance Account (the "DMA Account") was established for the provision of funds ("DMA Amount") for the upkeep and maintenance of certain facilities commonly available to both tenants and visitors at the commercial portion of the Cyberport project. In 2004, the DMA Amount provisionally assessed at HK$500 million, had been funded jointly by the HKSAR Government and the Group to the DMA Account.

The Group has been in discussions with the HKSAR Government and Hong Kong Cyberport Management Company Limited ("HKCMCL") concerning the purported final assessment of the DMA Amount made by HKCMCL in December 2009 under the terms of the Cyberport Project Agreement. By that assessment, HKCMCL purported to increase the level of funding of the DMA Account from HK$ 500 million to approximately HK$1,700 million. On May 20, 2010, HKCMCL commenced legal proceedings against Cyber-Port Limited (an indirect wholly-owned subsidiary of the Company and hereinafter "CPL") by way of originating summons (the "Originating Summons") in which it sought declarations as to its purported final assessment. On May 22, 2010, CPL and PCCW responded to the filing of the Originating Summons by commencing legal proceedings by way of writ (the "Writ Action") against HKCMCL and its affiliates, Hong Kong Cyberport Development Holdings Limited and Hong Kong Cyberport (Ancillary Development) Limited (together, the "FSI Companies"), seeking orders to quash the purported final assessment of the DMA Amount and the purported auditors' certificate issued in relation to same and damages. On September 28, 2010, upon an application by CPL and PCCW, the Court gave an order to the effect that the Originating Summons proceedings be consolidated with the Writ Action. The Court also gave orders requiring discovery by the parties.

There have been a number of interlocutory hearings in the Writ Action since then:

a. On November 25, 2010, the Court rejected an application by the FSI Companies to transfer the Writ Action into the Commercial List.
b. On January 11, 2011, the Court gave various further case management directions, including an order requiring the FSI Companies to identify their witnesses in the Writ Action.
c. On February 7, 2011, the Court part-heard an application by CPL and PCCW that two Government bureaux which are not parties to the litigation gave discovery of certain categories of documents relevant to the issues in dispute in the Writ Action. The Court adjourned the hearing and gave directions as to the filing of further evidence for the application, which has been re-listed for hearing on August 10, 2011.

No substantive judgement on the matters in dispute in the legal proceedings has been made yet. The directors have taken legal advice and sought expert opinions on various matters relevant to the claims. They are of the opinion that the provisional assessment of HK$500 million would be adequate for the purpose of the final assessment of the DMA Amount, and the liability to contribute additional funds to the DMA Account is remote.

Should the final assessment figure of DMA Amount become different from the HK$500 million which management has estimated, provision will have to be made accordingly.

(ii) Estimated valuation of investment properties

The best evidence of fair value is current prices in an active market for similar leases and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair values estimates. In making its estimates, the Group considers both (i) information from the valuations of investment properties performed by external professional valuers by using the open market value approach and (ii) other principal assumptions including the receipt of contractual rentals, expected future market rentals and discount rates to determine the fair value of the investment properties. Had the Group used different future market rentals, discount rates and other assumptions, the fair value of the investment properties would be different and thus caused impact to the consolidated income statement. As at December 31, 2010, the fair value of the investment properties was HK$5,152 million.

(iii) Derivative financial instruments

The fair value of the liability portion of a convertible debt was determined by using a market interest rate for an equivalent non-convertible debt at the date the convertible notes was issued in May 2004. This amount is recorded as a financial liability and is measured on the amortised cost basis using effective interest method minus principal repayment. Had management determined that a different market interest rate of an equivalent non-convertible debt was appropriate at the date the convertible notes was issued in May 2004, this would have caused different amount of finance costs charged to the income statement for each accounting period.

(iv) Deferred income tax

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Group's estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits of net operating loss carried forward in the future, adjustments to the recorded amount of net deferred income tax assets and income tax would be made. As at December 31, 2010, the deferred income tax assets netted off against the deferred income tax liabilities recognised in the consolidated balance sheet was HK$23 million.

(v) Impairment of investment in subsidiaries and non-financial assets

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

— interest in freehold land;
— property, plant and equipment;
— properties under development/held for sale/held for development;
— investment in subsidiaries; and
— goodwill.

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

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

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable value, representing the greater of the asset's fair value less cost to sell or its value in use. Depending on the Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Group may perform such assessment utilising internal resources or the Group may engage external advisors to counsel the Group in making this assessment. Regardless of the resources utilised, the Group is required to make many assumptions to make this assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

FINANCIAL REVIEW

Review of results

The Group recorded a consolidated turnover of approximately HK$1,495 million for 2010, representing a decrease of 65 per cent on the 2009 figure of approximately HK$4,222 million. The reason for the decrease in turnover was that the revenue from the sales of a major phase of Bel-Air was recognised last year.

The Group's consolidated gross profit for 2010 was approximately HK$747 million, representing a decrease of 37 per cent on the gross profit of approximately HK$1,190 million for 2009. The decrease in consolidated gross profit was resulted from the decrease in turnover.

The Group's consolidated operating profit for 2010 was approximately HK$1,409 million, as compared to approximately HK$966 million for 2009.

The Group recorded a consolidated net profit of approximately HK$864 million for 2010, representing an increase of 45 per cent as compared to approximately HK$594 million for 2009. The increase was attributable to the increase in fair value of investment properties of HK$863 million after tax provision. Basic earnings per share during the year were 35.89 Hong Kong cents as compared to 24.68 Hong Kong cents for 2009.

In accordance with the applicable HKFRS issued by the HKICPA, the revenue and profits from the sale of property development are recognised on completion of development when the inflow of economic benefits associated with the property sales transactions is assessed to be probable and significant risks and rewards of ownership have been transferred.

Current assets and liabilities

As at December 31, 2010, the Group held current assets of approximately HK$6,218 million (December 31, 2009: HK$8,776 million), mainly consisted of properties under development/held for sale, cash and bank balances, sales proceeds held in stakeholders' accounts and restricted cash. The decrease in current assets was attributable to a fall in cash and bank balances. Properties under development/held for sale in current assets increased from approximately HK$683 million as at December 31, 2009 to approximately HK$773 million as at December 31, 2010. Cash and bank balances amounted to approximately HK$2,179 million as at December 31, 2010 (December 31, 2009: HK$5,506 million). Sales proceeds held in stakeholders' accounts declined by 34 per cent from approximately HK$1,271 million as at December 31, 2009 to approximately HK$845 million as at December 31, 2010. The total amount of restricted cash increased from approximately HK$949 million as at December 31, 2009 to approximately HK$2,249 million as at December 31, 2010.

As at December 31, 2010, the Group's total current liabilities amounted to approximately HK$2,814 million, as compared to approximately HK$2,331 million as at December 31, 2009.

Capital structure, liquidity and financial resources

As at December 31, 2010, the Group's borrowings amounted to approximately HK$2,754 million, mainly representing the recognition of amortised redemption premium of HK$49 million for the year as compared to total borrowings of HK$2,704 million as at December 31, 2009. As at December 31, 2010, the Group's long-term borrowings comprised the RMB10 million loan from a bank that is due on September 24, 2012 and the tranche B convertible note of HK$2,420 million from PCCW group that carries a fixed interest rate of 1 per cent per annum and becomes repayable at 120 per cent of the outstanding principal amount at maturity in 2014. As the tranche B convertible note of HK$2,420 million is from the Company's major shareholder, PCCW Limited, it has not been included in the total debt for calculating the debt-to-equity ratio of the Group. As at December 31, 2010, the debt-to-equity ratio excluding the tranche B convertible note was 0.2 per cent (December 31, 2009: 0.1 per cent).

The Group's business transactions, assets and liabilities were primarily denominated in Hong Kong dollars. Revenue denominated in Renminbi and Japanese Yen accounted for approximately 15 per cent and 6 per cent of the Group's total turnover, respectively. Assets in mainland China, Thailand and Japan represented approximately 46 per cent, 5 per cent and 5 per cent of the Group's total assets respectively.

All the Group's borrowings were denominated in Hong Kong dollars and Renminbi. Cash and bank balances were held mainly in US dollars, Renminbi and Hong Kong dollars. The remainder were in Thai Baht and Japanese Yen. As the

Group had certain investments in foreign operations, its net assets were exposed to the risk of foreign currency translation risks. The Group's currency exposure in respect of these operations is mainly from Renminbi, Thai Baht and Japanese Yen.

Cash used for operating activities in 2010 was approximately HK$109 million, while cash generated from its operating activities in 2009 was approximately HK$3,134 million.

Income tax

The Group's income tax for 2010 was approximately HK$387 million, compared to approximately HK$228 million for 2009.

Charge on assets

As of December 31, 2010, certain investment properties of the Group with an aggregate carrying value of approximately HK$5,125 million (December 31, 2009: HK$3,839 million) were pledged to secure banking facilities of the Group.

Contingent liabilities

One of the Group's indirect wholly-owned subsidiaries has given a guarantee to one of its lessees such that in case the alteration of its properties could not be carried out in order to allow the expansion of the existing leased areas of the lessee, the indirect wholly-owned subsidiary would purchase the refurbishment at the carrying value from the lessee up to RMB10 million, provided that the lessee serves termination notice due to the aforesaid reason.

Save as disclosed elsewhere in this announcement, the Group has no other material contingent liabilities as at December 31, 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2010, the Group employed a total number of 482 staff in Hong Kong and overseas. The Group's remuneration policies are in line with prevailing industry practices. They have been formulated on the basis of performance and experience, and they are reviewed regularly. Bonuses are paid on a discretionary basis, according to the performance of individual employees and the Group as a whole. The Group also provides comprehensive employee benefits, including medical insurance, a choice of provident fund or mandatory provident fund and training programmes.

The share option scheme that the Company adopted on March 17, 2003 was terminated on May 13, 2005. It was replaced by a new share option scheme, which was adopted on May 23, 2005, following its approval by PCCW's shareholders. The new share option scheme is valid and effective for a period of 10 years from the date of its adoption.

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended December 31, 2010 (2009: Nil).

The Board did not declare an interim dividend for the six months ended June 30, 2010 (2009: Nil).

The Board had recommended a special dividend of HK$1.32 per ordinary share for the year ended December 31, 2009 and was paid in May 2010.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from April 29, 2011 to May 5, 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all transfers, accompanied by the relevant share certificates, should be lodged with the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on April 28, 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year ended December 31, 2010, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended December 31, 2010.

PUBLIC FLOAT

Based on information that was available to the Company, as at the date of this announcement, the percentage of the shares held by the public was approximately 16.42 per cent, which was below the minimum percentage prescribed under Rule 8.08 (the "Minimum Prescribed Percentage") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The shortfall arose as the current shareholding of Elliott Capital Advisors, L.P. (through certain entities it controlled) was approximately 22.05 per cent of the issued share capital in the Company and hence such entity was a substantial shareholder and a connected person of the Company; and its shareholding in the Company was not counted towards the public shareholding of the Company. The Company will take steps to restore its public holdings to the Minimum Prescribed Percentage as soon as practicable. Further announcement will be made in due course once there is concrete progress in the restoration of the public float of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles, and complied with all the applicable code provisions contained in the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules for the year ended December 31, 2010, except that the Chairman of the Board was unable to attend the Company's annual general meeting held on May 10, 2010 (as required under the code provision E.1.2) as he was out of town for company business.

OUTLOOK

The global economy continued to rebound during the past year, yet the pace of the recovery was uneven in different regions. The US growth rate remained sluggish, leading the US Federal Reserve to inject a further US$600 billion into the financial system during early November. This extra liquidity is likely to find its way into the emerging markets.

While the full effects of the second round of quantitative easing to boost the US economy are not yet clear, its initial impact on the Hong Kong stock and property markets has been positive. Buyers are keen to purchase assets in order to preserve their wealth and purchasing power.

To curb speculative inflows into the property market, the HKSAR government announced further austerity measures on November 19, 2010. These measures are having a short-term impact on both prices and transaction volumes, but they should be conducive to the market's healthy and stable longer-term development.

Given that interest rates will remain exceptionally low for some time to come, and the supply of property will be limited in the short term, we are cautiously optimistic about the local market's prospects. Hong Kong's luxury residential sector is appealing to affluent people from many parts of the world – particularly those in mainland China – who find Hong Kong properties attractive both in terms of their quality and prices, due to the Hong Kong dollar's depreciation against their currencies.

The sale of the few remaining houses at Villa Bel-Air will continue.

As for overseas projects, design work for Phase 1 of the Group's Hanazono all-season resort in Hokkaido, Hanazono, Japan, is now underway. The resort will consist of hotels, condominiums and villas. However, in view of the recent earthquake and the nuclear plants incidents in Japan, the management would closely monitor the market situation and adjust the Company's strategy from time to time accordingly.

The Company will cautiously continue to explore potential investment opportunities around the world during the coming years.

By Order of the Board
Pacific Century Premium Developments Limited
Cheng Wan Seung, Ella
Company Secretary

Hong Kong, 22 March, 2011

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

Executive Directors:
Li Tzar Kai, Richard (Chairman); Alexander Anthony Arena (Deputy Chairman);
Lee Chi Hong, Robert (Chief Executive Officer); Lam Yu Yee; James Chan; and Gan Kim See, Wendy.

Independent Non-Executive Directors:
Cheung Kin Piu, Valiant; Prof Wong Yue Chim, Richard, SBS, JP; and Dr Allan Zeman, GBS, JP.

** For identification only*