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, 2011

The board of directors ("Board") of Pacific Century Premium Developments Limited ("Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries ("Group") for the year ended December 31, 2011.

- Consolidated turnover increased by 42 per cent to approximately HK$2,126 million
- Consolidated operating profit before increase in fair value of investment properties increased by 10 per cent to approximately HK$285 million
- Profit attributable to equity holders of the Company amounted to approximately HK$62 million
- Basic earnings per share 2.58 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 2011 amounted to approximately HK$62 million. Basic earnings per share is 2.58 Hong Kong cents.

BUSINESS REVIEW

Property development

The Group's revenue from property development in Hong Kong for the year ended December 31, 2011 amounted to approximately HK$1,710 million, compared to approximately HK$1,100 million for the previous year.

In Hong Kong, the Group sold eight houses at Villa Bel-Air in 2011, and the sale of the final three houses will continue.

In 2011, the thirteenth to sixteenth batches of net surplus proceeds from the Cyberport project, totalling approximately HK$3,262 million, were allocated between the Government of the Hong Kong Special Administrative Region ("HKSAR Government") and the Group in accordance with the Cyberport Project Agreement. As a result, the HKSAR Government received approximately HK$2,105 million while the Group retained approximately HK$1,157 million.

As for the Group's overseas projects, the detailed design works of Hanazono all-season resort project in Hokkaido, Japan, is making good progress. The master plan for the project in Phang-nga, Southern Thailand, has also reached an advanced stage.

Property investment in Mainland China

The Group's investment property Pacific Century Place is located at the heart of Beijing, China. The lettable gross floor area held by the Group is approximately 169,900 square metres ("lettable area") and the tenants of the property comprise many corporations, retailers and residential tenants. The average occupancy rate of the lettable area was approximately 88 per cent for the year ended December 31, 2011.

The Group's gross rental income amounted to approximately HK$260 million for 2011, compared to approximately HK$215 million in 2010.

Other businesses

The other businesses of the Group included 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 2011 amounted to approximately HK$156 million, compared to approximately HK$180 million for the previous year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note(s)	For the year ended December 31, 2011 *HK$ million*	2010 *HK$ million*
Turnover	3, 4	**2,126**	1,495
Cost of sales		**(1,285)**	(748)
Gross profit		**841**	747
General and administrative expenses		**(580)**	(524)
Other income		**24**	34
Other gains, net		**—**	2
Surplus on revaluation of investment properties		**43**	1,150
Operating profit		**328**	1,409
Interest income		**28**	16
Finance costs	5	**(163)**	(174)
Profit before taxation	6	**193**	1,251
Income tax	7	**(131)**	(387)
Profit attributable to equity holders of the Company		**62**	864
Other comprehensive income:			
Currency translation differences:			
Exchange differences on translating foreign operations		**240**	268
Total comprehensive income		**302**	1,132
Earnings per share (expressed in Hong Kong cents per share)			
Basic	9	**2.58 cents**	35.89 cents
Diluted	9	**2.58 cents**	33.16 cents

CONSOLIDATED BALANCE SHEET

	Note	**December 31, 2011** *HK$ million*	December 31, 2010 *HK$ million*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**5,469**	5,152
Property, plant and equipment		**281**	215
Properties under development		**508**	428
Properties held for development		**618**	624
Intangible asset		**14**	—
Goodwill		**4**	4
Other receivables		**3**	3
		6,897	6,426
Current assets			
Properties held for sale		**456**	773
Sales proceeds held in stakeholders' accounts		**632**	845
Restricted cash		**703**	2,249
Trade receivables, net	10	**12**	10
Prepayments, deposits and other current assets		**112**	109
Amounts due from fellow subsidiaries		**16**	50
Amounts due from related companies		**3**	3
Cash and cash equivalents		**2,855**	2,179
		4,789	6,218

	Note	**December 31, 2011** *HK$ million*	December 31, 2010 *HK$ million*
Current liabilities			
Short-term borrowings		**9**	—
Current portion of long-term borrowings		**24**	24
Trade payables	11	**45**	31
Accruals, other payables and deferred income		**573**	976
Deposits received on sales of properties		**64**	65
Amounts due to fellow subsidiaries		**4**	4
Amount payable to the HKSAR Government under the Cyberport Project Agreement		**603**	1,606
Current income tax liabilities		**23**	108
		1,345	2,814
Net current assets		**3,444**	3,404
Total assets less current liabilities		**10,341**	9,830
Non-current liabilities			
Long-term borrowings		**2,505**	2,374
Deferred income tax liabilities		**669**	591
		3,174	2,965
Net assets		**7,167**	6,865
REPRESENTING:			
Issued equity		**4,321**	4,321
Reserves		**2,846**	2,544
		7,167	6,865

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, 2011 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, 2011 adopted by the Group but have no significant impact on the Group's financial statements

HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

The following new standards, amendments and interpretations have been issued but are not yet effective for the year ended December 31, 2011 and which the Group has not early adopted:

HKAS 1 (Amendment)	Presentation of Financial Statements (effective for annual periods beginning on or after July 1, 2012)
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1, 2012)
HKAS 19 (Amendment)	Employee Benefits (effective for annual periods beginning on or after January 1, 2013)
HKAS 27	Separate Financial Statements (effective for annual periods beginning on or after January 1, 2013)
HKAS 28	Investments in Associates and Joint Ventures (effective for annual periods beginning on or after January 1, 2013)
HKFRS 1 (Amendment)	Severe Hyperinflation (effective for annual periods beginning on or after July 1, 2011)
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets (effective for annual periods beginning on or after July 1, 2011)
HKFRS 9	Financial Instruments (effective for annual periods beginning on or after January 1, 2015)
HKFRS 10	Consolidated Financial Statements (effective for annual periods beginning on or after January 1, 2013)
HKFRS 11	Joint Arrangements (effective for annual periods beginning on or after January 1, 2013)
HKFRS 12	Disclosure of Interests in Other Entities (effective for annual periods beginning on or after January 1, 2013)
HKFRS 13	Fair Value Measurement (effective for annual periods beginning on or after January 1, 2013)

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position except for the amendments to HKAS 12, Income Taxes. The amendments to HKAS 12 will be adopted in the 2012 financial statements and the Group will be required to make retrospective adjustments at that time to the amounts reported in respect of the year ended 31 December 2011, to the extent that the tax consequences that would apply on the sale of the properties at their carrying amount would differ from the amounts accrued for deferred tax under the current policy, in respect of those properties which are not held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time. The Group has not yet completed its assessment of the impact of this new accounting policy on the provision for deferred tax liabilities.

3. Turnover

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

	For the year ended December 31,	
	2011	2010
	HK$ million	*HK$ million*
Property development	**1,710**	1,100
Property investment	**262**	216
Other businesses	**154**	179
	2,126	1,495

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	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Revenue from external customers	**1,710**	1,100	**260**	215	**156**	180	**—**	—	**2,126**	1,495
Inter-segment revenue	**—**	—	**—**	—	**10**	4	**(10)**	(4)	**—**	—
Reportable segment revenue	**1,710**	1,100	**260**	215	**166**	184	**(10)**	(4)	**2,126**	1,495
Interest income	**2**	2	**11**	6	**—**	—	**—**	—	**13**	8
Unallocated interest income									**15**	8
Consolidated interest income									**28**	16
Finance costs	**—**	—	**1**	1	**—**	—	**—**	—	**1**	1
Unallocated finance costs									**162**	173
Consolidated finance costs									**163**	174
Depreciation	**1**	1	**20**	16	**19**	16	**—**	—	**40**	33
Unallocated depreciation									**9**	9
Consolidated depreciation									**49**	42
Provision for/(Reversal of) impairment losses	**—**	(33)	**1**	1	**—**	1	**—**	—	**1**	(31)
Profit/(loss) before taxation	**440**	440	**179**	1,247	**(41)**	(51)	**—**	—	**578**	1,636
Unallocated corporate expenses									**(385)**	(385)
Consolidated profit before taxation									**193**	1,251
Income tax	**72**	70	**45**	315	**8**	(3)	**—**	—	**125**	382
Unallocated income tax									**6**	5
Consolidated income tax									**131**	387

4. **Segment Information - Continued**

a. **Business segments - Continued**

	Property development in Hong Kong		Property investment in mainland China		Other businesses (note i)		Elimination		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	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	**—**	—	**86**	34	**150**	58	**—**	—	**236**	92
Unallocated addition									**2**	13
Consolidated addition to non-current segment assets during the year									**238**	105
Segment assets	**1,794**	3,925	**6,169**	5,739	**1,522**	1,352	**—**	—	**9,485**	11,016
Unallocated corporate assets									**2,201**	1,628
Consolidated total assets									**11,686**	12,644
Segment liabilities	**1,087**	2,565	**749**	670	**68**	86	**—**	—	**1,904**	3,321
Unallocated corporate liabilities									**2,615**	2,458
Consolidated total liabilities									**4,519**	5,779

(i) Revenue from segments below the quantitative thresholds are attributable to seven operating segments of the Group. Those segments include property development in Thailand and Japan, property management in Hong Kong and Japan, asset management, facilities management and ski operation. None of these segments have 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, intangible asset, 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 asset and goodwill, and the location of operations.

	Revenue from external customers		**Specified non-current assets**	
	2011	2010	**2011**	2010
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*
Hong Kong (place of domicile)	**1,754**	1,189	**62**	52
Mainland China	**262**	217	**5,547**	5,226
Japan	**110**	89	**668**	523
Thailand	**—**	—	**620**	625
	2,126	1,495	**6,897**	6,426

5. **Finance Costs**

	For the year ended December 31,	
	2011	2010
	HK$ million	*HK$ million*
Interest expenses:		
Convertible notes wholly repayable over two years, but not exceeding five years	**166**	157
Other borrowing costs	**18**	17
	184	174
Less: Interest expenses capitalised into properties under development	**(21)**	—
	163	174

The borrowing costs have been capitalised at 6.87 per cent per annum (2010: Nil).

6. Profit Before Taxation

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

	For the year ended December 31,	
	2011	2010
	HK$ million	*HK$ million*
Crediting:		
Gross rental income from investment properties	**262**	216
Less: outgoings	**(20)**	(24)
Other income from deposits forfeited	**22**	20
Surplus on revaluation of investment properties	**43**	1,150
Charging:		
Cost of properties sold	**1,219**	640
Depreciation	**49**	42
Staff costs, included in:		
- cost of sales	**22**	46
- general and administrative expenses	**185**	157
Contributions to defined contribution retirement schemes, included in:		
- cost of sales	**—**	2
- general and administrative expenses	**7**	8
Auditors' remuneration	**4**	4
Operating lease rental of land and buildings	**48**	48
Operating lease rental of equipment	**3**	1
Provision for/(Reversal of) impairment of trade receivables	**1**	(32)
Net foreign exchange loss/(gain)	**3**	(7)

7. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2010: 16.5 per cent) on the estimated assessable profits for the year.

Taxation for mainland China and 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,	
	2011	2010
	HK$ million	*HK$ million*
Hong Kong profits tax		
- Provision for current year	**74**	65
- Over provision in respect of prior years	**(8)**	(24)
Income tax outside Hong Kong		
- Provision for current year	**15**	17
- Under provision in respect of prior years	**1**	—
Deferred income tax relating to the origination and reversal of temporary differences	**49**	329
	131	387

8. Dividend

	For the year ended December 31,	
	2011	2010
	HK$ million	*HK$ million*
Final dividend	**—**	—

There was no final dividend paid for 2011 and 2010.

9. 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,	
	2011	2010
	HK$ million	*HK$ million*
Earnings for the purpose of calculating the basic earnings per share	**62**	864
Finance costs on convertible notes	**145**	157
Earnings for the purpose of calculating the diluted earnings per share	**207**	1,021

	2011	2010
	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

The diluted earnings per share for 2011 are the same as the basic earnings per share as all potential additional ordinary shares are anti-dilutive.

10. Trade Receivables, Net

An aging analysis of trade receivables is set out below:

	December 31, 2011	December 31, 2010
	HK$ million	*HK$ million*
Current	**8**	10
One to three months	**3**	—
More than three months	**3**	1
	14	11
Less: Provision for impairment	**(2)**	(1)
	12	10

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.

11. Trade Payables

An aging analysis of trade payables is set out below:

	December 31, 2011	December 31, 2010
	HK$ million	*HK$ million*
Current	**42**	29
One to three months	**2**	1
More than three months	**1**	1
	45	31

12. 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 the revenue in respect of the properties sold.

Management made judgement as to when the significant risks and rewards of ownership of properties are transferred to the purchasers. Risks and rewards of ownership of properties are transferred to the purchasers upon execution of legally binding unconditional sales contracts upon which the beneficial interests in the properties pass to the purchasers.

The judgement as to when risks and rewards of ownership of properties are transferred would affect the Group's profit for the year and the carrying value of properties 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 were 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 be equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

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

The 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 2011 has resulted in the costs of properties sold recorded in the year ended December 31, 2011 being decreased by HK$151 million.

(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 market value approach and (ii) other principal assumptions, including the receipt of contractual rentals, expected future market rentals in view of the current usage and condition of the investment properties, supported by the terms of any existing leases and other contracts, 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, 2011, the fair value of the investment properties was HK$5,469 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, 2011, the deferred income tax assets netted off against the deferred income tax liabilities recognised in the consolidated balance sheet was HK$20 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;
— intangible asset;
— properties under development/held for sale/held for development;
— pre-paid interests in leasehold land classified as being held under an operating lease;
— 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$2,126 million for 2011, representing an increase of approximately 42 per cent of the 2010 figure of approximately HK$1,495 million. Such increase was contributed by the increase of recognised revenue from the sale of Villa Bel-Air houses in 2011.

The Group's consolidated gross profit for 2011 was approximately HK$841 million, representing an increase of approximately 13 per cent of the gross profit of approximately HK$747 million for 2010. The increase in consolidated gross profit was a result of the increase in turnover.

The general and administrative expenses were approximately HK$580 million for 2011, representing an increase of 11 per cent as compared to approximately HK$524 million for 2010. The increase was due to higher staff costs incurred during the period in anticipation of the progress for the overseas development projects, as well as the reversing of an impairment of the trade receivable of HK$33 million which was recorded last year after the completion of a sale of a house at Villa Bel-Air. In addition, the increase in fair value of investment properties recorded for this year amounted to HK$43 million which was lower than the HK$1,150 million recorded last year.

In view of the above reasons, the Group's consolidated operating profit for 2011 decreased to approximately HK$328 million, compared to approximately HK$1,409 million for 2010. If the fair value increase in investment properties is excluded, the consolidated operating profit would be increased by 10 per cent to approximately HK$285 million, compared to approximately HK$259 million for 2010.

As a result, the Group recorded a consolidated net profit of approximately HK$62 million for 2011, comparing to approximately HK$864 million for 2010. Basic earnings per share during the year were 2.58 Hong Kong cents, compared to 35.89 Hong Kong cents for 2010.

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 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, 2011, the Group held current assets of approximately HK$4,789 million (December 31, 2010: HK$6,218 million). These mainly consisted of properties 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 restricted cash balances. Properties held for sale in current assets decreased from approximately HK$773 million as at December 31, 2010, to approximately HK$456 million as at December 31, 2011. Cash and bank balances amounted to approximately HK$2,855 million as at December 31, 2011 (December 31, 2010: HK$2,179 million). Sales proceeds held in stakeholders' accounts decreased by approximately 25 per cent from HK$845 million as at December 31, 2010 to approximately HK$632 million as at December 31, 2011. Restricted cash decreased from HK$2,249 million as at December 31, 2010 to approximately HK$703 million as at December 31, 2011.

As at December 31, 2011, the Group's total current liabilities amounted to approximately HK$1,345 million, compared to approximately HK$2,814 million as at December 31, 2010.

Capital structure, liquidity and financial resources

As at December 31, 2011, the Group's borrowings amounted to approximately HK$2,799 million, compared to total borrowings of HK$2,754 million as at December 31, 2010. The increase represented the recognition of amortised redemption premiums of HK$48 million for the tranche B convertible note of HK$2,420 million from PCCW group, netted off by HK$3 million bank loan repayment during the year. As at December 31, 2011, the Group's borrowings comprised RMB7.5 million short-term bank loan and the tranche B convertible note of HK$2,420 million from PCCW group which carries a fixed interest rate of 1 per cent per annum and will become 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 ("PCCW"), it has not been included in the total debt for calculating the debt-to-equity ratio of the Group. As at December 31, 2011, the debt-to-equity ratio excluding the tranche B convertible note was approximately 0.1 per cent (as at December 31, 2010: 0.2 per cent).

The Group's business transactions, assets and liabilities were mainly denominated in Hong Kong dollars. Revenue denominated in Renminbi and Japanese Yen accounted for approximately 12 per cent and 5 per cent of the Group's total turnover, respectively. Assets in Mainland China, Japan and Thailand represented approximately 53 per cent, 7 per cent and 5 per cent of the Group's total assets respectively.

All of 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, and the remainder were in Thai Baht and Japanese Yen. As the Group has certain foreign operations, its net assets were exposed to risks of foreign currency translation. The Group's currency exposure with respect to these operations is mainly relating to Renminbi, Thai Baht and Japanese Yen.

Cash generated from operating activities in 2011 was approximately HK$804 million, while cash used for its operating activities in 2010 was approximately HK$109 million.

Income tax

The Group's income tax for 2011 was approximately HK$131 million, compared to approximately HK$387 million for 2010. The decrease of income tax was mainly a result of the lowering of operating profit.

Charge on assets

As of December 31, 2011, certain investment properties of the Group with an aggregate carrying value of approximately HK$5,424 million (December 31, 2010: HK$5,125 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.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2011, the Group employed a total number of 418 staff in Hong Kong and overseas. The remuneration policies of the Group 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, based on the performance of individual employees, and the Group as a whole. The Group also provides comprehensive employee benefits, including medical insurance, a choice of a provident fund or a mandatory provident fund as well as training programmes.

The share option scheme that the Company adopted on March 17, 2003 was terminated on May 13, 2005, and was replaced with a new share option scheme which was adopted on May 23, 2005 ("New Share Option Scheme"), 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, 2011 (2010: Nil).

The Board did not declare an interim dividend for the year ended December 31, 2011 (2010: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from April 26, 2012 to April 30, 2012, 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 25, 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year ended December 31, 2011, there was no purchase, sale or redemption by the Company, or any of its subsidiaries of the listed securities of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's audited consolidated financial statements for the year ended December 31, 2011.

PUBLIC FLOAT

Based on the latest shareholding disclosures published on the website of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), as at the date of this announcement, the percentage of shares being held by the public was approximately 15.41 per cent, which was below the minimum percentage prescribed under Rule 8.08 ("Minimum Prescribed Percentage") of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The shortfall arose as the shareholding of Elliott Capital Advisors, L.P. (through certain entities it controlled) was approximately 23.06 per cent of the issued share capital in the Company (based on its latest filed Disclosure of Interests Notice as at July 13, 2011 with the Stock Exchange) and it was hence a substantial shareholder and a connected person 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, 2011, except that the Chairman of the Board and the Chairman of the Nomination Committee of the Board were unable to attend the Company's annual general meeting held on May 5, 2011 as both were tending business overseas on that date.

OUTLOOK

In 2011, the European debt crisis not only caused turmoil in Eurozone economies, but also upset the global economy. Hong Kong's economic performance is robust in general, given that our retail consumption is exceptional and that the unemployment rate is low. However, there is growing concern that our economy may face deepening volatility, unless the European debt problem can be resolved.

Hong Kong property prices rose in the first half of 2011, but consolidated in the second half. The deteriorating external environment and the cooling measures implemented by the HKSAR Government have resulted in a decline in the number of property transactions. Prospective homebuyers now taking a wait-and-see approach tend to buy when the macroeconomic environment becomes more certain.

The Cyberport project in Hong Kong is coming to an end, as the Group only has three Villa Bel-Air houses remaining for sale. The Group will release them at appropriate time at suitable prices. With limited supply of high-end properties, the Company is optimistic that they will fetch good prices, especially when the market environment becomes more stable.

The Group has been working on the design for the Hanazono all-season resort project in Hokkaido, Japan, following approval of the residential portion by the Japanese authorities. The show house in Niseko is near completion. The master plan for the project in Phang-nga, Thailand, has also reached an advanced stage.

While the US and Europe will face more challenges in the coming year, Asia Pacific countries – particularly China – are now playing a pivotal role in driving the world's economic growth. As a premium property developer committed to developing major projects, the Company will take this opportunity to cautiously look for appropriate investment opportunities in Asia and worldwide in order to sustain the Company's long-term growth and profitability.

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

Hong Kong, February 28, 2012

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

Executive Directors:
Li Tzar Kai, Richard (Chairman); Lee Chi Hong, Robert (Deputy Chairman and Chief Executive Officer);
Lam Yu Yee (Deputy Chief Executive Officer and Chief Financial Officer); 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, GBM, GBS, JP.

** For identification only*