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, 2012

The board of directors ("Board") of Pacific Century Premium Developments Limited ("Company") announces the audited consolidated results of the Company and its subsidiaries ("Group") for the year ended December 31, 2012.

- Consolidated turnover decreased by 44 per cent to approximately HK$1,184 million
- Consolidated operating profit increased by 22 per cent to approximately HK$399 million
- Profit attributable to equity holders of the Company amounted to approximately HK$67 million
- Basic earnings per share: 3.58 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 2012 amounted to approximately HK$67 million (basic earnings per share: 3.58 Hong Kong cents).

BUSINESS REVIEW

Property development

The Group's revenue from property development in Hong Kong for the year ended December 31, 2012 amounted to approximately HK$791 million as compared to approximately HK$1,710 million for the previous year.

In Hong Kong, the Group has sold all of the remaining houses at Villa Bel-Air. The revenue and profits from the sale of such houses will be recognised in accordance with the appropriate accounting standards.

In January 2013, the seventeenth batch of net surplus proceeds from the Cyberport project in the amount of approximately HK$301 million was 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$194 million while the Group retained approximately HK$107 million.

As for the Group's overseas projects, the progress of the detailed designs of Hanazono all-season resort project in Hokkaido, Japan, is on schedule. As for the project in Phang-nga, Southern Thailand, the master plan for the project has reached an advanced stage.

Property investment in Mainland China

The Group's investment property, namely, Pacific Century Place, is located at a premium location in Beijing, China. The gross floor area being let by the Group is approximately 169,900 square metres ("lettable area") and the tenants of the property comprise corporations, retailers and residential tenants. The average occupancy rate of the lettable area was approximately 64 per cent for the year ended December 31, 2012 which has taken into account of the increase of vacant space upon the expiry of the lease for the department store.

The Group's gross rental income of such investment property amounted to approximately HK$239 million for 2012, as compared to approximately HK$260 million in 2011.

Other businesses

Other businesses of the Group include property management in Hong Kong, Mainland China and Japan, as well as the Hanazono all-season resort operation. The revenue from these other businesses amounted to approximately HK$154 million for 2012, as compared to approximately HK$156 million for the previous year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Note	For the year ended December 31, **2012**	2011
Turnover	2	**1,184**	2,126
Cost of sales		**(631)**	(1,285)
Gross profit		**553**	841
General and administrative expenses		**(491)**	(580)
Other income		**—**	24
Other losses, net	3	**(6)**	—
Surplus on revaluation of investment properties		**343**	43
Operating profit		**399**	328
Interest income		**25**	28
Finance costs	4	**(192)**	(163)
Profit before taxation	5	**232**	193
Income tax	6	**(165)**	(131)
Profit attributable to equity holders of the Company		**67**	62
Other comprehensive income:			
Currency translation differences:			
Exchange differences on translating foreign operations		**3**	240
Total comprehensive income		**70**	302
Earnings per share (expressed in Hong Kong cents per share)			
Basic	8	**3.58 cents**	2.58 cents
Diluted	8	**3.58 cents**	2.58 cents

Remark: After completion of the issue of bonus shares and bonus convertible notes (to those shareholders who elected to receive bonus convertible notes in lieu of entitlement to bonus shares) and the share consolidation on June 22, 2012 and June 25, 2012 respectively, the Company has in issue 397,666,713.2 ordinary shares and the aggregated amount of HK$592,554,154.40 outstanding bonus convertible notes which could be converted into 1,185,108,308 fully paid ordinary shares of HK$0.50 each, representing a total of 1,582,775,021.2 shares which form the basis for the calculation of basic earnings per share. Adjustments have been made for the shares repurchased during the year. Details of the calculation of earnings per share and the Company's share capital are set out in note 8.

CONSOLIDATED BALANCE SHEET

HK$ million	Note	**As at December 31, 2012**	As at December 31, 2011
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**5,883**	5,469
Property, plant and equipment		**235**	281
Properties under development		**490**	508
Properties held for development		**678**	618
Intangible asset		**20**	14
Goodwill		**4**	4
Derivative financial instrument	9	**4**	—
Other financial assets		**1**	—
Other receivables		**2**	3
		7,317	6,897
Current assets			
Properties held for sale		**215**	456
Sales proceeds held in stakeholders' accounts		**678**	632
Restricted cash		**1,319**	703
Trade receivables, net	10	**23**	12
Prepayments, deposits and other current assets		**138**	112
Amounts due from fellow subsidiaries		**3**	16
Amounts due from related companies		**2**	3
Other financial assets		**1**	—
Cash and cash equivalents		**829**	2,855
		3,208	4,789

CONSOLIDATED BALANCE SHEET - CONTINUED

HK$ million	Note	**As at December 31, 2012**	As at December 31, 2011
Current liabilities			
Short-term borrowings		**—**	9
Current portion of long-term borrowings		**24**	24
Trade payables	11	**15**	45
Accruals, other payables and deferred income		**329**	573
Deposits received on sales of properties		**28**	64
Amounts due to fellow subsidiaries		**14**	4
Amount payable to the HKSAR Government under the Cyberport Project Agreement		**959**	603
Current income tax liabilities		**8**	23
		1,377	1,345
Net current assets		**1,831**	3,444
Total assets less current liabilities		**9,148**	10,341
Non-current liabilities			
Long-term borrowings		**2,657**	2,505
Other payables		**1**	—
Deferred income tax liabilities		**796**	669
		3,454	3,174
Net assets		**5,694**	7,167
REPRESENTING:			
Issued equity		**2,836**	4,321
Reserves		**2,858**	2,846
		5,694	7,167

Notes:

1. Basis of Preparation and Principal Accounting Policies

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 applied in the preparation of these financial statements have been consistently applied to the years presented, unless otherwise stated.

The consolidated financial statements for the year ended December 31, 2012 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 financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 12.

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.

Amendments to HKAS 12, Income Taxes

In December 2010, the HKICPA amended HKAS 12, "Income taxes", to introduce an exception to the principle for the measurement of deferred income tax assets or liabilities arising on an investment property measured at fair value. The revised HKAS 12 requires an entity to measure the deferred income tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The presumption of recovery entirely by sale is rebutted if the investment property is held within a business model whose objective is to consume substantially all the economic benefits embodied in the investment property over time, rather than through sale. The amendment is applicable retrospectively to annual periods beginning on or after January 1, 2012.

For the investment properties held by the Group amounting to HK$5,883 million as at December 31, 2012, the Group's business model is that the entity owning the investment properties will recover the value through use and on this basis the presumption of sale has been rebutted. Consequently, the Group has continued to recognise the deferred income taxes on the basis that the value of investment properties is recovered through use. There is no impact on the Group's results of operations and financial position.

Amendments effective from January 1, 2012 adopted by the Group but have no significant impact on the Group's financial statements

HKFRS 1 (Amendment)	Severe Hyperinflation
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets

The following new standards, amendments and interpretations have been issued but are not yet effective for the year ended December 31, 2012 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 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)

1. Basis of Preparation and Principal Accounting Policies - Continued

HKAS 28	Investments in Associates and Joint Ventures (effective for annual periods beginning on or after January 1, 2013)
HKAS 32 (Amendment)	Presentation - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014)
HKFRS 1 (Amendment)	Government Loans (effective for annual periods beginning on or after January 1, 2013)
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2013)
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 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 the Group's results of operations and financial position.

2. Turnover and 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

HK$ million	Property development in Hong Kong		Property investment in Mainland China		Other businesses (note i)		Elimination		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Revenue from external customers	**791**	1,710	**239**	260	**154**	156	**—**	—	**1,184**	2,126
Inter-segment revenue	**—**	—	**—**	—	**2**	10	**(2)**	(10)	**—**	—
Reportable segment revenue	**791**	1,710	**239**	260	**156**	166	**(2)**	(10)	**1,184**	2,126
Interest income	**1**	2	**19**	11	**—**	—	**—**	—	**20**	13
Unallocated interest income									**5**	15
Consolidated interest income									**25**	28
Finance costs	**—**	—	**1**	1	**—**	—	**—**	—	**1**	1
Unallocated finance costs									**191**	162
Consolidated finance costs									**192**	163
Depreciation	**1**	1	**23**	20	**15**	19	**—**	—	**39**	40
Unallocated depreciation									**7**	9
Consolidated depreciation									**46**	49
Provision for impairment losses	**—**	—	**—**	1	**—**	—	**—**	—	**—**	1
Profit/(loss) before taxation	**215**	440	**472**	179	**(43)**	(41)	**—**	—	**644**	578
Unallocated corporate expenses									**(412)**	(385)
Consolidated profit before taxation									**232**	193
Income tax	**34**	72	**113**	45	**14**	8	**—**	—	**161**	125
Unallocated income tax									**4**	6
Consolidated income tax									**165**	131

2. Turnover and Segment Information - Continued

a. Business segments - Continued

HK$ million	Property development in Hong Kong		Property investment in Mainland China		Other businesses (note i)		Elimination		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Addition to non-current segment assets during the year	**—**	—	**26**	86	**84**	150	**—**	—	**110**	236
Unallocated addition									**2**	2
Consolidated addition to non-current segment assets during the year									**112**	238
Segment assets	**2,236**	1,794	**6,498**	6,169	**1,502**	1,522	**—**	—	**10,236**	9,485
Unallocated corporate assets									**289**	2,201
Consolidated total assets									**10,525**	11,686
Segment liabilities	**1,167**	1,087	**861**	749	**58**	68	**—**	—	**2,086**	1,904
Unallocated corporate liabilities									**2,745**	2,615
Consolidated total liabilities									**4,831**	4,519

(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.

2. **Turnover and 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, properties under development, properties held for 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 investment properties, property, plant and equipment and properties under development/held for development, and the location of the operation to which they are allocated, in case of intangible asset, goodwill and other non-current receivables.

	Revenue from external customers		**Specified non-current assets**	
HK$ million	**2012**	2011	**2012**	2011
Hong Kong (place of domicile)	**833**	1,754	**72**	62
Mainland China	**258**	262	**5,935**	5,547
Japan	**93**	110	**634**	668
Thailand	**—**	—	**671**	620
	1,184	2,126	**7,312**	6,897

3. **Other Losses, Net**

	For the year ended December 31,	
HK$ million	**2012**	2011
Fair value loss on the derivative financial instrument (note 9)	**6**	—

4. **Finance Costs**

	For the year ended December 31,	
HK$ million	**2012**	2011
Interest expenses:		
Convertible notes wholly repayable over one year, but not exceeding two years	**177**	—
Convertible notes wholly repayable over two years, but not exceeding five years	**—**	166
Other borrowing costs	**16**	18
	193	184
Less: Interest expenses capitalised into properties under development	**(1)**	(21)
	192	163

The borrowing costs have been capitalised at 6.87 per cent per annum (2011: 6.87 per cent).

5. Profit Before Taxation

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

HK$ million	For the year ended December 31, **2012**	2011
Crediting:		
Gross rental income from investment properties	**240**	262
Other rental income	**18**	—
Less: outgoings	**(27)**	(20)
Other income from deposits forfeited	**—**	22
Surplus on revaluation of investment properties	**343**	43
Charging:		
Cost of properties sold	**547**	1,219
Depreciation	**46**	49
Staff costs, included in:		
- cost of sales	**12**	22
- general and administrative expenses	**167**	185
Contributions to defined contribution retirement schemes	**9**	7
Auditors’ remuneration	**5**	4
Operating lease rental of land and buildings, included in:		
- cost of sales	**11**	—
- general and administrative expenses	**46**	48
Operating lease rental of equipment	**3**	3
Provision for impairment of trade receivables	**—**	1
Net foreign exchange loss	**3**	3

6. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2011: 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.

HK$ million	**For the year ended December 31, 2012**	2011
Hong Kong profits tax		
- Provision for current year	**35**	74
- Over provision in respect of prior years	**—**	(8)
Income tax outside Hong Kong		
- Provision for current year	**9**	15
- Under provision in respect of prior years	**1**	1
Deferred income tax relating to the origination and reversal of temporary differences	**120**	49
	165	131

7. Dividend

HK$ million	**For the year ended December 31, 2012**	2011
Final dividend	**—**	—

There was no final dividend paid for 2012 and 2011.

8. 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, **2012**	2011
Earnings (HK$ million)		
Earnings for the purpose of calculating the basic earnings per share	**67**	62
Finance costs on 2014 Convertible Note recognised in the consolidated statement of comprehensive income	**176**	145
Earnings for the purpose of calculating the diluted earnings per share	**243**	207
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share	**1,882,794,142**	2,407,459,873
Effect of dilutive potential ordinary shares on conversion of 2014 Convertible Note 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	**2,555,016,364**	3,079,682,095

The weighted average number of ordinary shares for the year ended December 31, 2012 and December 31, 2011 for the purpose of calculating the basic and diluted earnings per share has been retrospectively adjusted for the issuance of bonus shares and bonus convertible notes at four (4) bonus shares for every one (1) issued ordinary share and the five-to-one share consolidation which took place on June 22, 2012 and June 25, 2012 respectively.

Pursuant to the terms of the applicable deed poll, the bonus convertible notes will confer the holders the same economic interests attached to the bonus shares. The aggregated amount of HK$592,554,154.40 outstanding bonus convertible notes which could be converted into 1,185,108,308 fully paid ordinary shares of HK$0.50 each is included in the weighted average number of ordinary shares for calculating the basic earnings per share for the year ended December 31, 2012 and December 31, 2011.

As the effect of the issuance of bonus shares and bonus convertible notes, and the share consolidation was netted off, there was no impact on the basic and diluted earnings per share for the year ended December 31, 2011.

The diluted earnings per share for the year ended December 31, 2012 and December 31, 2011 are the same as the basic earnings per share as all potential additional ordinary shares are anti-dilutive.

9. Derivative Financial Instrument

On March 2, 2012, PCPD Wealth Limited (a wholly-owned subsidiary of the Company) as the issuer, PCCW-HKT Partners Limited ("PCCW-HKT") (a wholly-owned subsidiary of PCCW) as the subscriber and the Company as the guarantor, entered into a subscription agreement, whereby, subject to the terms and conditions set out therein, PCCW-HKT agreed to subscribe for a new convertible note due in 2019 ("2019 Convertible Note") on the maturity date (being May 9, 2014) of the existing convertible note ("2014 Convertible Note"). The subscription for the 2019 Convertible Note will be effected by applying the whole of the redemption amount due, and not repaid, on the maturity of the 2014 Convertible Note to the payment of the subscription money on May 9, 2014. Management considered that the right to issue the 2019 Convertible Note is not a modification of the 2014 Convertible Note. It is recognised as a derivative financial instrument at fair value as at March 2, 2012 of HK$10 million which is credited to equity under "Other reserves" as a contribution from the equity holder of the Company. Fair value loss on the derivative financial instrument of HK$6 million is recognised during the year (note 3).

10. Trade Receivables, Net

An aging analysis of trade receivables, based on the normal credit period from the invoice date and before allowance for provision for receivable impairment, is set out below:

HK$ million	**As at December 31, 2012**	As at December 31, 2011
Current	**20**	8
One to three months	**2**	3
More than three months	**3**	3
	25	14
Less: Provision for impairment	**(2)**	(2)
	23	12

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 which 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, based on invoice date, is set out below:

HK$ million	**As at December 31, 2012**	As at December 31, 2011
Current	**15**	42
One to three months	**—**	2
More than three months	**—**	1
	15	45

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.

12. Critical Accounting Estimates and Judgements - Continued

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 the year of 2012 has resulted in the costs of properties sold recorded in the year ended December 31, 2012 being decreased by HK$59 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, 2012, the fair value of the investment properties was HK$5,883 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 2014 Convertible Note 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.

The fair value for the right to issue the 2019 Convertible Note was determined by using binomial model. The fair value of the derivative financial instrument on the date of issue on March 2, 2012 was credited to equity under "Other reserves" as a contribution from the equity holder of the Company. It is re-measured at each balance sheet date and the gain or loss is recognised in the income statement. Had management determined that different volatility and risk-free rate were appropriate on the date the derivative financial instrument was issued, this would have caused different amount of gain or loss charged to the income statement for each accounting period.

12. Critical Accounting Estimates and Judgements - Continued

(iv) Deferred income tax

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Group considers future taxable income and ongoing prudent and 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, 2012, the deferred income tax assets netted off against the deferred income tax liabilities recognised in the consolidated balance sheet was HK$19 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 development/held for sale;
— 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 used to identify indications of impairment are often subjective in nature and the Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at 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 consolidated turnover of the Group was approximately HK$1,184 million for 2012, representing a decrease of approximately 44 per cent from approximately HK$2,126 million in 2011. Such decrease was due to decrease in the revenue from property sale in 2012.

The Group's consolidated gross profit for 2012 was approximately HK$553 million, representing a decrease of approximately 34 per cent from approximately HK$841 million in 2011. The decrease in consolidated gross profit was a result of the decrease in turnover.

The general and administrative expenses were in total approximately HK$491 million for 2012, representing a decrease of 15 per cent from approximately HK$580 million in 2011. There are certain savings achieved in marketing costs and professional fees as compared to the level of expenditures in 2011 while certain staff costs were categorised as addition to the development projects. In addition, the increase in fair value of investment properties as recorded for this year amounted to approximately HK$343 million which was higher than the HK$43 million recorded in last year. Direct expenses (amounting to approximately HK$27 million) in relation to the share repurchase and bonus share issue exercise in 2012 were charged to issued equity in accordance with the Companies Act 1981 of Bermuda and applicable accounting standards.

Due to the above reasons, the Group's consolidated operating profit for 2012 increased to approximately HK$399 million, as compared to approximately HK$328 million for 2011.

As a result, the Group recorded a consolidated net profit after taxation of approximately HK$67 million for 2012, as compared to approximately HK$62 million for 2011. Basic earnings per share during the year were 3.58 Hong Kong cents, as compared to 2.58 Hong Kong cents for 2011.

In accordance with the applicable HKFRS issued by the HKICPA, the revenue and profits from the sale of property development are and would be recognised on completion of a 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, 2012, the Group held current assets of approximately HK$3,208 million (December 31, 2011: HK$4,789 million), comprising properties held for sale, cash and cash equivalents, sales proceeds held in stakeholders' accounts, and restricted cash. The decrease in current assets reflects the decrease in cash and bank deposits; such decrease was mainly attributable to the payment of the total consideration of approximately HK$1,526 million by the Company to the shareholders who accepted the share buyback offer as described and defined below ("Offer") for completing the repurchase of shares in accordance with the terms of the Offer. For details of the result of the Offer, please refer to the announcement dated May 16, 2012. Properties held for sale in current assets decreased from approximately HK$456 million as at December 31, 2011, to approximately HK$215 million as at December 31, 2012. Cash and cash equivalents amounted to approximately HK$829 million as at December 31, 2012 (December 31, 2011: HK$2,855 million). The amount of sales proceeds held in stakeholders' accounts increased by approximately 7 per cent from HK$632 million as at December 31, 2011 to approximately HK$678 million as at December 31, 2012. Restricted cash increased from approximately HK$703 million as at December 31, 2011 to approximately HK$1,319 million as at December 31, 2012.

As at December 31, 2012, the Group's total current liabilities amounted to approximately HK$1,377 million, as compared to approximately HK$1,345 million as at December 31, 2011.

Capital structure, liquidity and financial resources

As at December 31, 2012, the Group's borrowings amounted to approximately HK$2,839 million, as compared to total borrowings of HK$2,799 million as at December 31, 2011. The increase was caused by the recognition of amortised redemption premiums of HK$49 million for the 2014 Convertible Note held by PCCW-HKT for the principal of HK$2,420 million, and netted off by HK$9 million bank loan repayment during the year. As at December 31, 2012, the Group's borrowings comprised the 2014 Convertible Note which (a) carries a fixed interest rate of 1 per cent per annum and (b) will become repayable at 120 per cent of the outstanding principal amount at maturity in May 2014. As the 2014 Convertible Note is held by a subsidiary of the Company's major shareholder, it has not been included in the total debt for the calculation of the debt-to-equity ratio of the Group. As at December 31, 2012, the debt-to-equity ratio (excluding such 2014 Convertible Note) was not provided (as at December 31, 2011: 0.1 per cent). If such 2014 Convertible Note is not converted in full prior to the due date on May 9, 2014 and the redemption amount is not fully paid, the amount due under it on such due date could be financed by the 2019 Convertible Note subscribed by PCCW-HKT under the subscription agreement made on March 2, 2012 as approved by independent shareholders at the special general meeting of May 2, 2012.

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 22 per cent and 8 per cent of the Group's total turnover respectively. The assets of the Group in Mainland China, Japan and Thailand represented approximately 62 per cent, 7 per cent and 7 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 deposits were held mainly in US dollars, Renminbi and Hong Kong dollars, and the remainder were in Thai Baht and Japanese Yen. As the Group had certain foreign operations, its net assets were exposed to the risk of foreign currency exchange rate fluctuation. The Group's currency exchange rate exposure with respect to these operations is mainly relating to Renminbi, Thai Baht and Japanese Yen.

Cash used in operating activities in 2012 was approximately HK$426 million, while cash generated from its operating activities in 2011 was approximately HK$804 million.

Income tax

The Group's income tax for 2012 was approximately HK$165 million, as compared to approximately HK$131 million for 2011. The increase of income tax was mainly a result of increase in deferred tax recognised on the revaluation surplus of investment properties.

Encumbrances on assets

As of December 31, 2012, certain investment properties of the Group with an aggregate carrying value of approximately HK$5,831 million (December 31, 2011: HK$5,424 million) were pledged and mortgaged to banks to secure banking facilities for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2012, the Group employed a total number of 433 staff in Hong Kong and overseas. The remuneration policies of the Group are in line with prevailing industry practices. Bonuses are paid on a discretionary basis taking into account factors such as performance of individual employees and the Group's performance as a whole. The Group provides comprehensive employee benefits, including medical insurance, a choice of a provident fund or a mandatory provident fund as well as training programmes. The Group is also a participating member of the PCCW employee share incentive award schemes.

The share option scheme that the Company adopted on March 17, 2003 ("2003 Share Option Scheme") 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 while the outstanding options granted before the adoption of the New Share Option Scheme would continue to apply the terms of the 2003 Share Option Scheme until the expiry of such outstanding options.

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended December 31, 2012 (2011: Nil).

The Board did not declare an interim dividend for the year ended December 31, 2012 (2011: Nil).

CLOSURE OF REGISTER OF MEMBERS AND CLOSURE OF REGISTER OF NOTEHOLDERS

The Company's register of members will be closed from May 6, 2013 to May 8, 2013, 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 not later than 4:30 p.m. on May 3, 2013.

The Company's register of noteholders of bonus convertible notes will be closed from May 6, 2013 to May 8, 2013, both days inclusive, during which period no transfer of bonus convertible notes will be effected. In order to be entitled to attend at the forthcoming annual general meeting of the Company, all transfers, accompanied by the relevant note certificates, should be lodged with the bonus convertible note 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 not later than 4:30 p.m. on May 3, 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

With the approval by independent shareholders at the special general meeting of May 2, 2012, the Company has implemented a conditional cash offer (made by Anglo Chinese Corporate Finance, Limited on behalf of the Company) to repurchase for cancellation up to 926,126,540 issued ordinary shares of HK$0.10 each held by the shareholders of the Company ("Offer"). In relation to the Offer, PCCW Group had given undertaking not to accept the same. Following the close of the Offer on May 16, 2012, a total of 824,684,851 issued ordinary shares of HK$0.10 each were repurchased and cancelled by the Company in May 2012. For details of the result of the Offer, please refer to the announcement dated May 16, 2012.

Save as aforesaid, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company for the year ended December 31, 2012.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's audited consolidated financial statements for the year ended December 31, 2012 and has held two meetings during the year.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all of the relevant code provisions of the Code on Corporate Governance Practices ("Former CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited during the period from January 1, 2012 to March 31, 2012. On April 1, 2012, the Former CG Code was amended and renamed as Corporate Governance Code ("Amended CG Code"). Save as disclosed in the Interim Report 2012 of the Company, the Company has also complied with all of the relevant code provisions of the Amended CG Code during the period from April 1, 2012 to December 31, 2012.

OUTLOOK

The strength of global economic growth will be tested in 2013 by the continued weakness of Europe's economies as well as the potential risk stemming from the debt ceiling in the United States.

Major economies, such as US and Japan, are adopting quantitative easing policies in an attempt to prevent an economic downturn. The central banks of some Asia Pacific countries will probably maintain their monetary easing policies in the near future, or keep their interest rates at relatively low levels. The region's property prices are therefore expected to remain firm.

The year 2013 marks the beginning of a new chapter for the Group, since all of its residential units in Hong Kong have been sold. Henceforth, the Group will focus on its existing overseas projects and it will also examine other new investment opportunities in Hong Kong, China and any other suitable cities elsewhere which are enjoying economic prosperity and the affluent population of which is rapidly growing, with a particular focus on South East Asia. The Group believes that its brand as a premium property developer is its most valuable intangible asset, and that forms a solid foundation for its future projects in Hong Kong and in other Asian countries.

Designing works are continuing for the first phase of the Group's Hanazono all-season resort project in Hokkaido, Japan. The planning for the project in Phang-nga, Southern Thailand, has reached a very advanced stage and is also making good progress. Both of these overseas projects will require substantial investment lead-time before they will contribute any income to the Group.

With the new banking facility agreement being entered into in October 2012, the Group has adequate resources for meeting the financial needs involved in developing the abovementioned projects and potential new projects. However, the Group will maintain a cautious approach as the global economy is expected to remain volatile in 2013.

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

Hong Kong, February 25, 2013

As at the date of this announcement, the directors of the Company 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*