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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, 2013

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, 2013.

SUMMARY

- Consolidated turnover decreased by 43 per cent to approximately HK$674 million
- Consolidated operating profit increased by 23 per cent to approximately HK$490 million
- Profit attributable to equity holders of the Company amounted to approximately HK$77 million
- Basic earnings per share: 4.89 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 2013 amounted to approximately HK$77 million (basic earnings per share: 4.89 Hong Kong cents).

BUSINESS REVIEW

Property development

The Group's revenue from property development in Hong Kong for the year ended December 31, 2013 amounted to approximately HK$283 million as compared to approximately HK$791 million for the previous year.

In Hong Kong, the remaining first-hand sales of houses at Villa Bel-Air have been completed. The revenue and profit from the sale of such houses have been recognised in accordance with the appropriate accounting standards.

In the year of 2013, the seventeenth batch and the eighteenth batch of the net surplus proceeds from the Cyberport project, approximately HK$691 million in total, 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$446 million while the Group retained approximately HK$245 million.

For the Group's overseas projects, the detailed designs of Hanazono all-season resort project in Hokkaido, Japan, are being worked on as per its 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 ("PCP Beijing"), is located at a premium location in Beijing, China. The gross floor area that the Group would normally lease out 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 property based on the lettable area was approximately 59 per cent for the year ended December 31, 2013 which has taken into account the increase in vacant space upon the expiry of the lease of the department store at the property.

The Group's gross rental income of such investment property amounted to approximately HK$236 million for the year ended December 31, 2013, as compared to approximately HK$239 million in 2012.

Property investment in Indonesia

The Group's Indonesia investment is located at Sudirman CBD within the Golden Triangle of Jakarta, Indonesia. The site is targeted to be developed into a Grade A landmark office building and the foundation work is in progress.

All-season recreation activities in Japan

The Group's revenue from the all-season recreation activities in Niseko, Hokkaido, Japan, for the year ended December 31, 2013 amounted to approximately HK$72 million as compared to approximately HK$78 million in 2012.

Other businesses

Other businesses of the Group mainly include property management in Hong Kong and Japan and property investment and facilities management in Hong Kong. The revenue from these other businesses amounted to approximately HK$83 million for the year ended December 31, 2013, as compared to approximately HK$76 million in 2012.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Note	For the year ended December 31, **2013**	2012
Turnover	2	**674**	1,184
Cost of sales		**(316)**	(631)
Gross profit		**358**	553
General and administrative expenses		**(497)**	(491)
Other income		**3**	—
Other losses		**(4)**	(6)
Surplus on revaluation of investment properties		**630**	343
Operating profit		**490**	399
Interest income		**18**	25
Finance costs	3	**(215)**	(192)
Profit before taxation	4	**293**	232
Income tax	5	**(216)**	(165)
Profit attributable to equity holders of the Company		**77**	67
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences:			
Exchange differences on translating foreign operations		**(272)**	3
Total comprehensive (loss)/income		**(195)**	70
Earnings per share (expressed in Hong Kong cents per share)			
Basic	7	**4.89 cents**	3.58 cents
Diluted	7	**4.89 cents**	3.58 cents

CONSOLIDATED BALANCE SHEET

HK$ million	Note	**As at December 31, 2013**	As at December 31, 2012
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**8,519**	5,883
Property, plant and equipment		**175**	235
Properties under development		**401**	490
Properties held for development		**645**	678
Intangible asset		**27**	20
Goodwill		**3**	4
Derivative financial instruments		**—**	4
Other financial assets		**1**	1
Other receivables		**2**	2
		9,773	7,317
Current assets			
Properties held for sale		**—**	215
Sales proceeds held in stakeholders' accounts		**541**	678
Restricted cash		**1,032**	1,319
Trade receivables, net	8	**14**	23
Prepayments, deposits and other current assets		**84**	138
Amounts due from fellow subsidiaries		**4**	3
Amounts due from related companies		**11**	2
Other financial assets		**2**	1
Short-term deposits		**10**	—
Cash and cash equivalents		**866**	829
		2,564	3,208

CONSOLIDATED BALANCE SHEET - CONTINUED

HK$ million	Note	As at December 31, 2013	As at December 31, 2012
Current liabilities			
Current portion of long-term borrowings		**2,844**	24
Trade payables	9	**16**	15
Accruals, other payables and deferred income		**512**	329
Deposits received on sales of properties		**—**	28
Amounts due to fellow subsidiaries		**5**	14
Amount payable to the HKSAR Government under the Cyberport Project Agreement		**521**	959
Current income tax liabilities		**8**	8
		3,906	1,377
Net current (liabilities)/assets		**(1,342)**	1,831
Total assets less current liabilities		**8,431**	9,148
Non-current liabilities			
Long-term borrowings		**1,467**	2,657
Other payables		**450**	1
Deferred income tax liabilities		**1,015**	796
		2,932	3,454
Net assets		**5,499**	5,694
REPRESENTING:			
Issued equity		**2,836**	2,836
Reserves		**2,663**	2,858
		5,499	5,694

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, 2013 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost convention, except that the following assets and liabilities are stated at fair value:
- investment properties;
- financial assets at fair value through profit or loss; and
- derivative financial instruments.

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 10.

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.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at January 1, 2013.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRS with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Standards and amendments effective from January 1, 2013 adopted by the Group but have no significant impact on the Group's financial statements

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (Amendment)	Employee Benefits
HKAS 27	Separate Financial Statements
HKAS 28	Investments in Associates and Joint Ventures
HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities

The following new standards and amendments have been issued but are not yet effective for the year ended December 31, 2013 and which the Group has not early adopted:

HKAS 32 (Amendment)	Presentation - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014)
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 2014)
HKFRS 9	Financial Instruments (effective for annual periods beginning on or after January 1, 2015)

The Group has been evaluating the impact of these new HKFRS but is not yet in a position to state whether all these new HKFRS would have a significant impact on the Group's results of operations and financial position.

2. Turnover and Segment Information

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

a. Business segments

HK$ million	Property development in Hong Kong		Property investment in Mainland China		All-season recreation activities in Japan (note a)		Property investment in Indonesia		Other businesses (notes a and b)		Elimination		Consolidated	
For the year ended December 31,	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Revenue														
Revenue from external customers	**283**	791	**236**	239	**72**	78	**—**	—	**83**	76	**—**	—	**674**	1,184
Inter-segment revenue	**—**	—	**—**	—	**—**	—	**—**	—	**2**	2	**(2)**	(2)	**—**	—
Reportable segment revenue	**283**	791	**236**	239	**72**	78	**—**	—	**85**	78	**(2)**	(2)	**674**	1,184
Results														
Segment results before taxation	**39**	215	**716**	472	**(14)**	(30)	**(6)**	—	**(19)**	(13)	**—**	—	**716**	644
Unallocated corporate expenses													**(423)**	(412)
Consolidated segment results before taxation													**293**	232
Other information														
Addition to non-current segment assets during the year	**—**	—	**32**	26	**4**	11	**1,810**	—	**15**	73	**—**	—	**1,861**	110
Unallocated addition													**2**	2
Consolidated addition to non-current segment assets during the year													**1,863**	112

2. Turnover and Segment Information - Continued

HK$ million As at December 31,	Property development in Hong Kong 2013	2012	Property investment in Mainland China 2013	2012	All-season recreation activities in Japan (note a) 2013	2012	Property investment in Indonesia 2013	2012	Other businesses (notes a and b) 2013	2012	Consolidated 2013	2012
Segment assets	**1,569**	2,236	**7,207**	6,498	**86**	100	**1,888**	—	**1,251**	1,402	**12,001**	10,236
Unallocated corporate assets											**336**	289
Consolidated total assets											**12,337**	10,525
Segment liabilities	**666**	1,167	**1,092**	861	**15**	13	**658**	—	**53**	45	**2,484**	2,086
Unallocated corporate liabilities											**4,354**	2,745
Consolidated total liabilities											**6,838**	4,831

(a) The segment for all-season recreation activities in Japan has met the quantitative thresholds under HKFRS 8 for reportable segments during the year ended December 31, 2013, therefore it is separately disclosed and its comparative figures have been restated. It was included in other businesses for the year ended December 31, 2012.

(b) Revenues from segments below the quantitative thresholds under HKFRS 8 are attributable to six operating segments of the Group. Those segments include property management in Hong Kong and Japan and property investment and facilities management in Hong Kong while property developments in Thailand and Japan have not commenced revenue generation yet. 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.

HK$ million	**Revenue from external customers For the year ended December 31, 2013**	2012	**Specified non-current assets As at December 31, 2013**	2012
Hong Kong (place of domicile)	**336**	833	**56**	72
Mainland China	**250**	258	**6,743**	5,935
Japan	**88**	93	**517**	634
Thailand	**—**	—	**646**	671
Indonesia	**—**	—	**1,810**	—
	674	1,184	**9,772**	7,312

3. Finance Costs

HK$ million	**For the year ended December 31, 2013**	2012
Interest expenses:		
Convertible notes wholly repayable within one year	**187**	—
Convertible notes wholly repayable over one year, but not exceeding two years	**—**	177
Bank borrowings wholly repayable over one year, but not exceeding two years	**40**	—
Other borrowing costs	**8**	16
	235	193
Less: Interest expenses capitalised into investment properties/properties under development	**(20)**	(1)
	215	192

The borrowing costs have been capitalised at the weighted average rate of the Group's borrowings at 6.14 per cent per annum in 2013 (2012: 6.87 per cent).

4. Profit Before Taxation

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

HK$ million	For the year ended December 31, **2013**	2012
Crediting:		
Gross rental income from investment properties	**237**	240
Other rental income	**14**	18
Less: outgoings	**(42)**	(27)
Surplus on revaluation of investment properties	**630**	343
Charging:		
Cost of properties sold	**223**	547
Depreciation	**40**	46
Staff costs, included in:		
- cost of sales	**14**	12
- general and administrative expenses	**165**	167
Contributions to defined contribution retirement schemes	**9**	9
Share-based compensation expenses	**2**	1
Auditor's remuneration	**5**	5
Operating lease rental of land and buildings, included in:		
- cost of sales	**6**	11
- general and administrative expenses	**48**	46
Operating lease rental of equipment	**2**	3
Provision for impairment of trade receivables	**7**	—
Net foreign exchange (gain)/loss	**(1)**	3

5. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2012: 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,**	
	2013	2012
Hong Kong profits tax		
- Provision for current year	**8**	35
Income tax outside Hong Kong		
- Provision for current year	**13**	9
- Under provision in respect of prior years	**—**	1
Deferred income tax		
- Change in fair value of investment properties	**158**	75
- Other origination and reversal of temporary differences	**37**	45
	216	165

6. Dividend

HK$ million	**For the year ended December 31,**	
	2013	2012
Final dividend	—	—

There was no final dividend paid for 2013 and 2012.

7. 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,	
	2013	2012
Earnings (HK$ million)		
Earnings for the purpose of calculating the basic earnings per share and diluted earnings per share	**77**	67
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share	**1,582,775,022**	1,882,794,142
Effect of dilutive potential ordinary shares on conversion of the employee share options	**432,692**	—
Weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share	**1,583,207,714**	1,882,794,142

The weighted average number of ordinary shares for the year ended December 31, 2012 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$592,553,354.40 (2012: HK$592,554,154.40) outstanding bonus convertible notes which could be converted into 1,185,106,708 (2012: 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, 2013.

672,222,222 of the potential ordinary shares arising from the assumed conversion of 2014 Convertible Note have not been included in the calculation of diluted earnings per share for 2013 and 2012 because they are anti-dilutive.

5,000,000 of the potential ordinary shares arising from the assumed conversion of the employee share options have not been included in the calculation of diluted earnings per share for 2012 because they are anti-dilutive.

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

8. 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, 2013**	As at December 31, 2012
Current	**12**	20
One to three months	**4**	2
More than three months	**7**	3
	23	25
Less: Provision for impairment	**(9)**	(2)
	14	23

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.

9. Trade Payables

An aging analysis of trade payables, based on invoice date, is set out below:

HK$ million	**As at December 31, 2013**	As at December 31, 2012
Current	**12**	15
One to three months	**3**	—
More than three months	**1**	—
	16	15

10. 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 has made judgements in applying the Group's accounting policies. The judgement that has the most significant effect on the amounts recognised in the financial statements is discussed below:

(i) Purchase consideration for a plot of land in Indonesia

On May 23, 2013, the Group entered into the Land Sale and Purchase Agreement (the "Land SPA") for the acquisition of a plot of land for the development of a Grade A office building in Jakarta, Indonesia. The total consideration under the Land SPA is US$184 million (equivalent to approximately HK$1,428 million), which is subject to various downward adjustments in certain circumstances.

Management expected that the seller of the land will be able to fulfill the conditions as set out in the Land SPA and the deductions from the outstanding consideration is unlikely, as such the total consideration of US$184 million is recorded as the cost of the land and the outstanding consideration to be paid is recorded as payables as at December 31, 2013.

In case there is any downward adjustment from the consideration to be paid for the land acquisition, it would affect the payable to the seller recorded in the balance sheet as at December 31, 2013.

10. 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) 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 on a market value basis and (ii) other principal assumptions, including the current and expected market yield, market price, market rent and the outstanding development costs in view of the current usage and condition of the investment properties to determine the fair value of the investment properties. Had the Group used different market yields, market prices, market rents or 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, 2013, the fair value of the investment properties was HK$8,519 million.

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

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

The estimated cost of developing the Cyberport project, including construction costs and the amounts paid and payable to the HKSAR Government, is 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 2013 has resulted in the costs of properties sold recorded in the year being decreased by HK$6 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.

(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 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, 2013, the deferred income tax assets netted off against the deferred income tax liabilities recognised in the consolidated balance sheet was HK$19 million.

10. Critical Accounting Estimates and Judgements - Continued

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

At each balance sheet date, the Group and the Company review 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 a subsidiary; 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$674 million for the year ended December 31, 2013, representing a decrease of approximately 43 per cent from approximately HK$1,184 million in 2012. Such decrease was due to decrease in the revenue recognised from property sale in 2013.

The Group's consolidated gross profit for the year ended December 31, 2013 was approximately HK$358 million, representing a decrease of approximately 35 per cent from approximately HK$553 million in 2012. The decrease in consolidated gross profit was a result of the decrease in turnover.

The general and administrative expenses were approximately HK$497 million for the year ended December 31, 2013, representing an increase of 1 per cent from approximately HK$491 million in 2012. Such increase was mainly due to the increase in legal and professional fees incurred during the year.

The Group's consolidated operating profit for the year ended December 31, 2013 increased to approximately HK$490 million, as compared to approximately HK$399 million in 2012. Such increase was mainly due to the increase in the aggregate fair value of investment properties recorded for the year ended December 31, 2013 amounting to approximately HK$630 million which was HK$287 million higher than the fair value gain recorded in 2012.

As a result of the above, the Group recorded a consolidated net profit after taxation of approximately HK$77 million for the year ended December 31, 2013, as compared to approximately HK$67 million in 2012. Basic earnings per share during the year under review were 4.89 Hong Kong cents, as compared to 3.58 Hong Kong cents in 2012.

Current assets and liabilities

As at December 31, 2013, the Group held current assets of approximately HK$2,564 million (December 31, 2012: HK$3,208 million), mainly comprising cash and cash equivalents, sales proceeds held in stakeholders' accounts, restricted cash and prepayments, deposits and other current assets. The decrease in current assets is mainly due to the decrease in properties held for sale and restricted cash. Cash and cash equivalents amounted to approximately HK$866 million as at December 31, 2013 (December 31, 2012: HK$829 million). The amount of sales proceeds held in stakeholders' accounts decreased by approximately 20 per cent from approximately HK$678 million as at December 31, 2012 to approximately HK$541 million as at December 31, 2013. The level of restricted cash has decreased to approximately HK$1,032 million as at December 31, 2013 from approximately HK$1,319 million as at December 31, 2012.

As at December 31, 2013, the Group's total current liabilities amounted to approximately HK$3,906 million, as compared to approximately HK$1,377 million as at December 31, 2012. Such increase was due to the re-classification of the liability under the 2014 Convertible Note held by PCCW-HKT Partners Limited (a wholly-owned subsidiary of PCCW) ("PCCW-HKT") from being a non-current liability to a current liability; such re-classification was based on the fact that the 2014 Convertible Note is expiring on May 9, 2014, which is within 12 months from the balance sheet date of December 31, 2013.

Capital structure, liquidity and financial resources

As at December 31, 2013, the Group's borrowings amounted to approximately HK$4,387 million as compared to the total borrowings of HK$2,839 million as at December 31, 2012. The increase was caused by (i) the drawdown of term loans in the aggregate of HK$1,500 million under the loan facility which was granted under the Facility Agreement dated October 8, 2012 (please refer to the Company's announcement dated October 8, 2012), and (ii) the recognition of amortised redemption premiums of HK$48 million for the 2014 Convertible Note for the principal of HK$2,420 million.

As at December 31, 2013, the Group's borrowings comprised (1) 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; and (2) bank loans in the aggregate of HK$1,500 million.

As the 2014 Convertible Note is held by a subsidiary of the Company's major shareholder, it is not included as part of the total debt for the calculation of the net debt-to-equity ratio of the Group. As at December 31, 2013, the net debt-to-equity ratio (excluding the 2014 Convertible Note) was 11 per cent (as at December 31, 2012: not provided). Net debt is calculated by deducting the aggregate of cash and cash equivalents and short-term deposits from the principal amount of borrowings.

Due to the re-classification of the liability under 2014 Convertible Note from non-current liability to current liability, the Group has net current liabilities of HK$1,342 million as at December 31, 2013 comparing to the net current assets of HK$1,831 million as at December 31, 2012. If the 2014 Convertible Note is not converted in full prior to its due date May 9, 2014 and the redemption amount is not fully paid, the amount due under it on such due date will 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 management considered that the reclassification of the liability under the 2014 Convertible Note has no impact on the Group's liquidity.

A considerable portion of the Group's assets and liabilities and business transactions were denominated in Hong Kong dollars. Revenue denominated in Renminbi and Japanese Yen accounted for approximately 37 per cent and 13 per cent of the Group's total turnover respectively. The assets of the Group in Mainland China, Indonesia, Thailand and Japan represented approximately 59 per cent, 15 per cent, 5 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. Cash and bank deposits were held mainly in US dollars, Renminbi and Hong Kong dollars, and the remainder were in Indonesian Rupiah, 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 exposure with respect to these operations is mainly in relation to fluctuations in the exchange rates of Renminbi, Indonesian Rupiah, Thai Baht and Japanese Yen.

Cash generated from operating activities in 2013 was approximately HK$44 million, compared to cash used in operating activities in the amount of approximately HK$426 million in 2012.

Income tax

The Group's income tax for 2013 was approximately HK$216 million, as compared to approximately HK$165 million in 2012. The increase of income tax was mainly a result of increase in deferred tax recognised on the revaluation surplus of investment properties.

Security on assets

As at December 31, 2013, certain assets of the Group and equity interests in companies within the Group with an aggregate carrying value of approximately HK$6,672 million (December 31, 2012: HK$5,831 million) were mortgaged and pledged to banks as security for the banking facilities and bank guarantee for the Group.

Contingent liabilities

An indirect wholly-owned subsidiary of the Company has agreed to make reimbursement to one of its lessees such that in case the alteration of the premises that lessee leases at PCP Beijing could not be carried out in order to allow for the expansion of the existing leased premises of the lessee, that subsidiary would purchase from the lessee the refurbishment assets at the premises at carrying value, subject to a maximum of RMB10 million, provided that the lessee serves termination notice due to the aforesaid reason. As at the reporting date, the estimated carrying value of the refurbishment assets is approximately RMB4 million.

There is a guarantee issued by a bank in favour of an independent third party in relation to the construction work carrying out by an indirect wholly-owned subsidiary of the Company covering certain relevant liabilities that may arise which in total shall not exceed RMB4 million. Such bank guarantee is secured by a fixed-term deposit made by the subsidiary in the principal amount of RMB4 million.

Post balance sheet event

On January 21, 2014, the Group, through its indirect wholly-owned subsidiaries, was granted bank facilities for term loans up to an aggregate amount of US$200 million (the "USD Facility") for financing the development of a premium grade office building in Indonesia. The USD Facility must be repaid on or before six months after the completion of the building or December 31, 2017, whichever is earlier. Such facilities are secured by the shares and assets of the indirect wholly-owned subsidiaries and one of the indirectly wholly-owned subsidiaries is subject to certain financial ratio covenants which are commonly found in lending arrangements with financial institutions. The facilities will be available for drawdown upon fulfilment of certain conditions precedent which as of the date hereof, have not been fulfilled.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2013, the Group employed a total number of 486 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 provident fund or mandatory provident fund as well as training programs. 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; it was replaced by a new share option scheme ("New Share Option Scheme") which was adopted at the Company's annual general meeting held on May 13, 2005. The New Share Option Scheme became effective 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 commencing on May 23, 2005 while the outstanding options granted under the 2003 Share Option Scheme (before the adoption of the New Share Option Scheme) would continue to be valid with the terms of the 2003 Share Option Scheme being applicable to them until their expiry.

DIVIDENDS AND DISTRIBUTION

The Board did not recommend the payment of a final dividend to shareholders nor a final distribution to bonus convertible noteholders for the year ended December 31, 2013 (2012: Nil).

The Board did not declare an interim dividend to shareholders nor an interim distribution to bonus convertible noteholders for the year ended December 31, 2013 (2012: Nil).

CLOSURE OF REGISTER OF MEMBERS AND CLOSURE OF REGISTER OF NOTEHOLDERS

The Company's register of members will be closed from May 5, 2014 to May 7, 2014, 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 2, 2014.

The Company's register of noteholders of bonus convertible notes will be closed from May 5, 2014 to May 7, 2014, both days inclusive, during which period no transfer of bonus convertible notes will be effected. In order to be entitled to attend 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 2, 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2013, 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, 2013 and has held two meetings during the year.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all relevant code provisions of the Corporate Governance 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 year ended December 31, 2013.

OUTLOOK

The global economy is now on track for a modest recovery. The United States and Japan have both shown significant signs of improvement, and Europe is also stable. The growth momentum is expected to continue into 2014, despite investors' worries about capital outflows, and the possibility of interest rate hikes in emerging markets.

The winding down of the quantitative easing programme in the United States has inevitably triggered financial volatilities among the emerging markets. However, overseas buyers are looking for good opportunities in acquiring premium properties in those areas as longer term investments.

The Group is committed to expanding its presence in the Asia Pacific region and is prudently optimistic about the sustained economic growth of Southeast Asia, given that the region has a growing affluent population and is endowed with rich natural resources. However, the Group will remain cautious, and it will adjust its strategies from time to time in response to the fast-changing market environment.

The Group currently has three projects under development; they are located in Hokkaido, Japan, Phang-nga, Thailand, and Jakarta, Indonesia. They are proceeding in accordance with their respective schedules. While it will take a considerable amount of lead time before these projects would contribute revenue to the Group, the Group's balance sheet remains healthy and PCPD's management will maintain a vigilant fiscal policy in the coming years.

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

Hong Kong, February 25, 2014

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*