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, 2014

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, 2014.

SUMMARY

- Consolidated turnover decreased by 53 per cent to approximately HK$315 million
- Consolidated operating profit (excluding gain on disposal of subsidiaries) decreased by 22 per cent to approximately HK$381 million
- Profit attributable to equity holders of the Company amounted to approximately HK$1,491 million
- Basic earnings per share: 94.13 Hong Kong cents
- The Board did not recommend the payment of a final dividend

BUSINESS REVIEW

PCPD experienced a significant year in 2014. It entered into an agreement to sell the Group's entire interests in Pacific Century Place, Beijing ("PCP Beijing") for an initial consideration of US$928 million (approximately HK$7,201 million) in April 2014. The transaction completed in August 2014 and the final consideration received was US$939 million (equivalent to approximately HK$7,281 million) after adjustments in accordance with the sale and purchase agreement. With the completion of the sale of PCP Beijing in August 2014, the Group will focus on the continued development of its existing projects which will be funded in part by the sales proceeds, while identifying new investment opportunities given the Group's strengthened financial position.

Property investment in Indonesia

The Group's investment in Indonesia is located at Sudirman CBD which is within the Golden Triangle of Jakarta, Indonesia. The site is being developed into a Premium Grade A landmark office building; and the foundation and the basement wall have been completed and the basement excavation work is now underway. A 40-storey Premium Grade A office building is scheduled to be completed and become operational in 2017.

Overseas property development projects

Detailed designs of the Hanazono all-season resort project in Hokkaido, Japan, are being worked on in accordance with the project schedule. The preparation of the project in Phang-nga, southern Thailand is continuing as planned.

All-season recreational activities in Japan

The Group's revenue from the all-season recreational activities in Niseko, Hokkaido, Japan, for the year ended December 31, 2014 amounted to approximately HK$77 million as compared to approximately HK$72 million in 2013.

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$89 million for the year ended December 31, 2014, as compared to approximately HK$83 million in 2013.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Note	For the year ended December 31, 2014	2013 (Restated)
Continuing operations			
Turnover	2	**166**	438
Cost of sales		**(58)**	(280)
Gross profit		**108**	158
General and administrative expenses		**(376)**	(389)
Other income		**1**	3
Other losses, net	3	**(82)**	(4)
Operating loss		**(349)**	(232)
Interest income		**12**	7
Finance costs	4	**(83)**	(214)
Loss before taxation	5	**(420)**	(439)
Income tax	6	**(21)**	(18)
Loss attributable to equity holders of the Company from continuing operations		**(441)**	(457)
Discontinued operation			
Profit attributable to equity holders of the Company from discontinued operation	11(a)	**1,932**	534
Profit attributable to equity holders of the Company		**1,491**	77

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - CONTINUED

HK$ million	Note	For the year ended December 31, **2014**	2013 (Restated)
Other comprehensive loss:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences:			
Exchange differences on translating foreign operations		**(195)**	(272)
Reclassification adjustments arising from disposal of subsidiaries		**(1,245)**	—
Total comprehensive income/(loss)		**51**	(195)
Total comprehensive income/(loss) arises from:			
Continuing operations		**(559)**	(890)
Discontinued operation		**610**	695
		51	(195)
(Loss) / earnings per share from continuing operations and discontinued operation (expressed in Hong Kong cents per share)			
Basic (loss)/earnings per share	8		
Continuing operations		**(27.86) cents**	(28.82) cents
Discontinued operation		**121.99 cents**	33.71 cents
		94.13 cents	4.89 cents
Diluted (loss)/earnings per share	8		
Continuing operations		**(27.86) cents**	(28.82) cents
Discontinued operation		**121.99 cents**	33.71 cents
		94.13 cents	4.89 cents

CONSOLIDATED BALANCE SHEET

HK$ million	Note	**As at December 31, 2014**	As at December 31, 2013
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**1,926**	8,519
Property, plant and equipment		**126**	175
Properties under development		**352**	401
Properties held for development		**566**	645
Intangible asset		**—**	27
Goodwill		**3**	3
Other financial assets		**2**	1
Other non-current receivables		**154**	2
		3,129	9,773
Current assets			
Sales proceeds held in stakeholders' accounts		**528**	541
Restricted cash		**1,022**	1,032
Trade receivables, net	9	**8**	14
Prepayments, deposits and other current assets		**336**	84
Amounts due from fellow subsidiaries		**1**	4
Amounts due from related companies		**3**	11
Other financial assets		**4**	2
Short-term deposits		**—**	10
Cash and cash equivalents		**2,466**	866
		4,368	2,564

CONSOLIDATED BALANCE SHEET - CONTINUED

HK$ million	Note	As at December 31, 2014	As at December 31, 2013
Current liabilities			
Current portion of long-term borrowings		**—**	2,844
Trade payables	10	**17**	16
Accruals, other payables and deferred income		**556**	512
Amounts due to fellow subsidiaries		**2**	5
Amount payable to the HKSAR Government under the Cyberport Project Agreement		**522**	521
Current income tax liabilities		**651**	8
		1,748	3,906
Net current assets / (liabilities)		**2,620**	(1,342)
Total assets less current liabilities		**5,749**	8,431
Non-current liabilities			
Long-term borrowings		**—**	1,467
Other payables		**161**	450
Deferred income tax liabilities		**26**	1,015
		187	2,932
Net assets		**5,562**	5,499
REPRESENTING:			
Issued equity		**2,848**	2,836
Reserves		**2,714**	2,663
		5,562	5,499

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, 2014 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 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.

Standards and amendments effective from January 1, 2014 adopted by the Group but have no significant impact on the Group's financial statements

HKAS 32 (Amendment)	Presentation - Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement - Novation of derivatives
HKFRS 10, 12 and HKAS 27 (Amendments)	Consolidation for Investment Entities
HK(IFRIC) – Int 21	Levies

The following new standards and amendments have been issued but are not yet effective for the year ended December 31, 2014 and which the Group has not early adopted:

HKAS 19 (2011) (Amendment)	Defined Benefits Plans: Employee Contribution [1]
HKAS 16 (Amendment)	Property, Plant and Equipment – Depreciation [2]
HKAS 27 (Amendment)	Separate Financial Statements – Equity Method [2]
HKAS 38 (Amendment)	Intangible Assets – Amortisation [2]
HKFRS 9	Financial Instruments [4]
HKFRS 10 and HKAS 28 (Amendments)	Consolidated Financial Statements – Sales and Contribution of Assets [2]
HKFRS 11 (Amendment)	Joint Arrangements [2]
HKFRS 15	Revenue from Contracts with Customers [3]

Note:

1 Effective for annual periods beginning on or after July 1, 2014

2 Effective for annual periods beginning on or after January 1, 2016

3 Effective for annual periods beginning on or after January 1, 2017

4 Effective for annual periods beginning on or after January 1, 2018

Apart from the above, a number of annual improvements and amendments to HKFRS have also been issued by the HKICPA but they are not yet effective for the accounting period ended December 31, 2014 and have not been adopted in these financial statements.

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		All-season recreational activities in Japan		Property investment in Indonesia		Property development in Thailand (note a)		Other businesses (note b)		Elimination		Consolidated from continuing operations		Discontinued operation (note c)		Consolidated	
For the year ended December 31,	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Revenue																		
Revenue from external customers	**—**	283	**77**	72	**—**	—	**—**	—	**89**	83	**—**	—	**166**	438	**149**	236	**315**	674
Inter-segment revenue	**—**	—	**—**	—	**—**	—	**—**	—	**2**	2	**(2)**	(2)	**—**	—	**—**	—	**—**	—
Reportable segment revenue	**—**	283	**77**	72	**—**	—	**—**	—	**91**	85	**(2)**	(2)	**166**	438	**149**	236	**315**	674
Results																		
Segment results before taxation	**(14)**	39	**(1)**	(14)	**(22)**	(6)	**(97)**	(12)	**(13)**	(7)	**—**	—	**(147)**	—	**2,777**	732	**2,630**	732
Unallocated corporate expenses													**(273)**	(439)	**—**	—	**(273)**	(439)
Consolidated segment results before taxation													**(420)**	(439)	**2,777**	732	**2,357**	293
Other information																		
Provision for impairment of property held for development	**—**	—	**—**	—	**—**	—	**(84)**	—	**—**	—	**—**	—	**(84)**	—	**—**	—	**(84)**	—
Addition to non-current segment assets during the year	**—**	—	**10**	4	**212**	1,810	**6**	11	**5**	4	**—**	—	**233**	1,829	**16**	32	**249**	1,861
Unallocated addition													**5**	2	**—**	—	**5**	2
Consolidated addition to non-current segment assets during the year													**238**	1,831	**16**	32	**254**	1,863

2. Turnover and Segment Information - Continued

HK$ million As at December 31,	Property development in Hong Kong 2014	2013	All-season recreational activities in Japan 2014	2013	Property investment in Indonesia 2014	2013	Property development in Thailand (note a) 2014	2013	Other businesses (note b) 2014	2013	Consolidated from continuing operations 2014	2013	Discontinued operation (note c) 2014	2013	Consolidated 2014	2013
Segment assets	**1,558**	1,569	**90**	86	**2,329**	1,888	**573**	652	**541**	599	**5,091**	4,794	—	7,207	**5,091**	12,001
Unallocated corporate assets											**2,406**	336	—	—	**2,406**	336
Consolidated total assets											**7,497**	5,130	—	7,207	**7,497**	12,337
Segment liabilities	**649**	666	**22**	15	**491**	658	**8**	8	**55**	45	**1,225**	1,392	—	1,092	**1,225**	2,484
Unallocated corporate liabilities											**710**	4,354	—	—	**710**	4,354
Consolidated total liabilities											**1,935**	5,746	—	1,092	**1,935**	6,838

(a) The segment for property development in Thailand has met the quantitative thresholds under HKFRS 8 for reportable segments during the year ended December 31, 2014, therefore it is separately disclosed and its comparative figures have been restated. It was included in other businesses for the year ended December 31, 2013.

(b) Revenue 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, asset management in Mainland China and property investment and facilities management in Hong Kong while property developments in Japan have not commenced revenue generation yet. None of these segments have ever met any of the quantitative thresholds for determining reportable segments.

(c) Discontinued operation mainly represents the property investment in Mainland China (note 11).

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 For the year ended December 31,		**Specified non-current assets As at December 31,**	
HK$ million	**2014**	2013	**2014**	2013
Continuing operations:				
Hong Kong (place of domicile)	**57**	336	**60**	56
Mainland China	**14**	14	**16**	19
Japan	**95**	88	**456**	517
Thailand	**—**	—	**567**	646
Indonesia	**—**	—	**2,028**	1,810
	166	438	**3,127**	3,048
Discontinued operation:				
Mainland China	**149**	236	**—**	6,724
	315	674	**3,127**	9,772

3. **Other Losses from Continuing Operations**

	For the year ended December 31,	
HK$ million	**2014**	2013
Fair value loss on the derivative financial instrument	**—**	(4)
Fair value gain on the financial assets at fair value through profit or loss	**2**	—
Provision for impairment of property held for development	**(84)**	—
	(82)	(4)

4. Finance Costs from Continuing Operations

HK$ million	For the year ended December 31, **2014**	2013
Interest expenses:		
Convertible notes	**68**	187
Bank borrowings	**62**	40
Other borrowing costs	**23**	7
	153	234
Less: Interest capitalised into investment properties	**(70)**	(20)
	83	214

The borrowing costs have been capitalised at the weighted average rate of the Group's borrowings at 4.64 per cent per annum in 2014 (2013: 6.14 per cent).

5. Loss Before Taxation from Continuing Operations

Loss before taxation from continuing operations is stated after crediting and charging the following:

HK$ million	For the year ended December 31, **2014**	2013
Crediting:		
Gross rental income from investment property	**2**	1
Other rental income	**14**	14
Less: outgoings	**(6)**	(6)
Charging:		
Cost of properties sold	**—**	223
Depreciation	**16**	19
Staff costs, included in:		
- cost of sales	**15**	14
- general and administrative expenses	**130**	148
Contributions to defined contribution retirement schemes	**6**	7
Share-based compensation expenses	**5**	2
Auditor's remuneration	**4**	5
Operating lease rental of land and buildings, included in:		
- cost of sales	**5**	6
- general and administrative expenses	**43**	48
Operating lease rental of equipment	**2**	2
Provision for impairment of trade receivables	**—**	7
Net foreign exchange gain	**(1)**	(1)

6. Income Tax from Continuing Operations

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2013: 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, 2014**	2013
Hong Kong profits tax		
- Provision for current year	**—**	8
Income tax outside Hong Kong		
- Provision for current year	**13**	9
Deferred income tax		
- Other origination and reversal of temporary differences	**8**	1
	21	18

7. Dividend

HK$ million	**For the year ended December 31, 2014**	2013
Final dividend	**—**	—

There was no final dividend paid for 2014 and 2013.

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,	
	2014	2013
Earnings/(Loss) (HK$ million)		
Loss from continuing operations	**(441)**	(457)
Earnings from discontinued operation	**1,932**	534
Earnings for the purpose of calculating the basic earnings per share and diluted earnings per share	**1,491**	77
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share and diluted earnings per share	**1,583,857,214**	1,582,775,022

Pursuant to the terms of the applicable deed poll, the bonus convertible notes confer upon the holders the same economic interests attached to the bonus shares. The aggregated amount of HK$592,553,354.40 (2013: HK$592,553,354.40) for the outstanding bonus convertible notes which could be converted into 1,185,106,708 (2013: 1,185,106,708) 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 years ended December 31, 2014 and December 31, 2013.

Employee share options of 5,000,000 were exercised during the year ended December 31, 2014. The 432,692 of the potential ordinary shares arising from the assumed conversion of the employee share options are anti-dilutive at the loss from continuing operations level for the year ended December 31, 2013 and so, have been treated as anti-dilutive for the purpose of calculating diluted earnings per share.

2014 Convertible Note was redeemed during the year ended December 31, 2014. The 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 the year ended December 31, 2013 because they are anti-dilutive.

9. 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, 2014**	As at December 31, 2013
Current	**7**	12
One to three months	—	4
More than three months	**1**	7
	8	23
Less: Provision for impairment	—	(9)
	8	14

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.

10. Trade Payables

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

HK$ million	**As at December 31, 2014**	As at December 31, 2013
Current	**16**	12
One to three months	—	3
More than three months	**1**	1
	17	16

11. Discontinued Operation and Disposal of Subsidiaries

On April 8, 2014, the Group entered into a sale and purchase agreement ("SPA") pursuant to which the Group has agreed to sell the entire issued share capital of Gain Score Limited, an indirectly wholly-owned subsidiary of the Company, and to assign a shareholder loan which was made by the Group to Gain Score Limited to an independent third party for an initial aggregated consideration of US$928 million (equivalent to approximately HK$7,201 million), subject to adjustments in accordance with the SPA. The principal assets of Gain Score Limited and its subsidiaries (the "Gain Score Group") are the land use rights and property rights in the investment property known as "Pacific Century Place, Beijing" located in Mainland China.

The transaction was completed in August 2014, and the final consideration received was US$939 million (equivalent to approximately HK$7,281 million) after adjustments in accordance with the SPA.

a. The profit attributable to equity holders of the Company from discontinued operation is as follows:

	For the year ended December 31,	
HK$ million	**2014**	2013
Turnover	**149**	236
Cost of sales	**(23)**	(36)
Gross profit	**126**	200
General and administrative expenses	**(50)**	(108)
Surplus on revaluation of investment property	**654**	630
Operating profit	**730**	722
Interest income	**6**	11
Finance costs	**—**	(1)
Profit before tax	**736**	732
Income tax	**(194)**	(198)
Profit after tax	**542**	534
Gain on disposal of subsidiaries, net of tax	**1,390**	—
Profit attributable to equity holders of the Company from discontinued operation	**1,932**	534

11. Discontinued Operation and Disposal of Subsidiaries - Continued

b. The net assets of the Gain Score Group at the date of disposal were as follows:

HK$ million	2014
Net assets disposed of:	
Investment property	**7,236**
Property, plant and equipment	**34**
Intangible asset	**31**
Trade receivables, net	**4**
Prepayments, deposits and other current assets	**11**
Amounts due from fellow subsidiaries	**1**
Restricted cash	**5**
Cash and cash equivalents	**208**
Shareholder loan	**(1,983)**
Accruals, other payables and deferred income	**(97)**
Current income tax liabilities	**(4)**
Deferred income tax liabilities	**(1,166)**
	4,280
Consideration settled by cash	**(7,281)**
Assignment of shareholder loan	**1,983**
Tax and direct expenses related to the disposal	**873**
	(145)
Reclassification of currency translation reserve to profit or loss	**(1,245)**
Gain on disposal of subsidiaries, net of tax	**(1,390)**

c. Net cash inflow arising from the disposal:

The net cash inflow arising from the disposal is HK$6,851 million, representing the cash consideration received, net of transaction costs paid and cash and cash equivalents disposed of.

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 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 ("Land SPA") for the acquisition of a plot of land for the development of a Premium 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, 2014.

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, 2014.

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, 2014, the fair value of the investment properties was HK$1,926 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. Had the estimates of these relative values been revised, this would have affected the costs of properties sold recorded in the income statement.

12. Critical Accounting Estimates and Judgements - Continued

(iii) Taxation

The Group is subject to tax in Mainland China, Hong Kong and other jurisdiction. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the periods in which such determination are made.

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, 2014, no deferred income tax assets netted off against the deferred income tax liabilities recognised in the consolidated balance sheet.

(iv) 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;
— 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.

For the year ended December 31, 2014, provision for impairment of HK$84 million was recognised on the property held for development resulting in the carrying amount being written down to its recoverable amount of approximately HK$566 million.

FINANCIAL REVIEW

Review of results

The consolidated turnover of the continuing operations was approximately HK$166 million for the year ended December 31, 2014, representing a decrease of approximately 62 per cent from approximately HK$438 million in 2013. Such decrease was due to the fact that the revenue from the sale of the remaining properties of Villa Bel-Air has been fully recognised in 2013.

The consolidated gross profit from continuing operations for the year ended December 31, 2014 was approximately HK$108 million, representing a decrease of approximately 32 per cent from approximately HK$158 million in 2013. The decrease in consolidated gross profit was a result of the decrease in turnover.

The general and administrative expenses amounted to approximately HK$376 million for the year ended December 31, 2014, which is at a similar level as 2013.

The consolidated operating loss from continuing operations for the year ended December 31, 2014 increased to approximately HK$349 million, as compared to approximately HK$232 million in 2013. Such increase in loss was mainly due to the provision for impairment of the project in Thailand and the reduction in property sales in 2014.

As a result of the above, the continuing operations recorded a consolidated net loss after taxation of approximately HK$441 million for the year ended December 31, 2014, as compared to approximately HK$457 million in 2013. Basic loss per share from continuing operations during the year under review was 27.86 Hong Kong cents, as compared to basic loss per share of 28.82 Hong Kong cents in 2013.

Current assets and liabilities

As at December 31, 2014, the Group held current assets of approximately HK$4,368 million (December 31, 2013: HK$2,564 million), mainly comprising cash and cash equivalents, sales proceeds held in stakeholders' accounts, restricted cash, and prepayments, deposits and other current assets. The increase in current assets is mainly due to the cash proceeds received from the disposal of PCP Beijing. Cash and cash equivalents amounted to approximately HK$2,466 million as at December 31, 2014 (December 31, 2013: HK$866 million). The amount of sales proceeds held in stakeholders' accounts has decreased by approximately 2 per cent from approximately HK$541 million as at December 31, 2013 to approximately HK$528 million as at December 31, 2014. The level of restricted cash has decreased to approximately HK$1,022 million as at December 31, 2014 from approximately HK$1,032 million as at December 31, 2013.

During the year, the Group redeemed the 2014 Convertible Note (as defined below), which led to the decrease of the Group's total current liabilities to approximately HK$1,748 million as at December 31, 2014 from approximately HK$3,906 million as at December 31, 2013.

Capital structure, liquidity and financial resources

As at December 31, 2014, the Group has no outstanding borrowings whereas the total borrowings as at December 31, 2013 amounted to HK$4,311 million. The convertible note in the principal amount of HK$2,420 million ("2014 Convertible Note") due on May 9, 2014 issued by PCPD Wealth Limited (an indirect wholly-owned subsidiary of the Company) ("CN Issuer") and held by PCCW-HKT Partners Limited (an indirect wholly-owned subsidiary of PCCW) ("CN Holder") was redeemed and the bank loan of HK$1,500 million was repaid in 2014. As the 2014 Convertible Note was redeemed in full, the Group did not issue the 2019 Convertible Note on May 9, 2014 pursuant to the subscription agreement dated March 2, 2012 ("Subscription Agreement") between the CN Issuer, the Company and the CN Holder in relation to the 2019 Convertible Note (as disclosed in the Company's Circular dated April 5, 2012); and the Subscription Agreement has lapsed and shall be of no effect.

On January 21, 2014, the Group entered into agreements to obtain loan facilities by which the lenders syndicate would make available term loan facilities which in the aggregate shall not exceed US$200 million. No drawdown has yet been made by the Group as at December 31, 2014.

As at December 31, 2014, the net debt-to-equity ratio was not applicable after all the borrowings were redeemed or repaid (as at December 31, 2013: 11 per cent). Net debt is calculated by deducting the aggregate of cash and cash equivalents and short-term deposits from the principal amount of borrowings.

Cash and bank deposits were held mainly in US dollars and Hong Kong dollars. The Group has foreign operations, and certain of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. As at December 31, 2014, the assets of the Group in Indonesia, Thailand and Japan represented approximately 31 per cent, 8 per cent and 7 per cent of the Group's total assets respectively. The Group's currency exposure with respect to these operations is subject to fluctuations in the exchange rates of Indonesian Rupiah, Thai Baht and Japanese Yen.

Cash used in operating activities (continuing operations) in 2014 was approximately HK$249 million, as compared to approximately HK$89 million in 2013.

Income tax

The Group's income tax for continuing operations for the year ended December 31, 2014 were approximately HK$21 million, as compared to approximately HK$18 million in 2013.

Security on assets

As at December 31, 2014, certain assets of the Group and equity interests in companies within the Group with an aggregate carrying value of approximately HK$2,076 million (December 31, 2013: HK$6,672 million) and performance guarantee of approximately HK$166 million were mortgaged and pledged to banks as security for the loan facilities of the Group.

Discontinued operation

The Group's discontinued operation represented the operations of PCP Beijing. The operating profit of the discontinued operation for the year ended December 31, 2014 increased to approximately HK$730 million, as compared to approximately HK$722 million in 2013. The discontinued operation recorded a net profit after taxation of approximately HK$1,932 million for the year ended December 31, 2014, which includes the gain on disposal of subsidiaries of approximately HK$1,390 million, as compared to approximately HK$534 million in 2013. Basic earnings per share for the discontinued operation during the year was 121.99 Hong Kong cents, as compared to 33.71 Hong Kong cents in 2013.

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2014, the Group employed a total number of 393 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.

The New Share Option Scheme will expire on May 22, 2015 and an ordinary resolution will be proposed at the forthcoming annual general meeting to approve the termination of the New Share Option Scheme and the adoption of a new scheme. Following the termination of the New Share Option Scheme, no further share option will be granted under such scheme, and the provisions of the New Share Option Scheme will remain in full force and effect in all other aspects.

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, 2014 (2013: 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, 2014 (2013: Nil).

CLOSURE OF REGISTER OF MEMBERS AND CLOSURE OF REGISTER OF NOTEHOLDERS

The Company's register of members will be closed from May 5, 2015 to May 6, 2015, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at 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 4, 2015.

The Company's register of noteholders of bonus convertible notes will be closed from May 5, 2015 to May 6, 2015, both days inclusive, during which period no transfer of bonus convertible notes will be effected. In order to be entitled to attend and vote at 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 4, 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2014, 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, 2014 and has held two meetings during the year.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all applicable 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, 2014.

OUTLOOK

The global economy, especially the U.S., has shown noticeable improvements over the past year, while some major economies, including the Eurozone and China, are struggling to avoid a decline in GDP growth. A sharp fall in crude oil prices has also increased market uncertainty. In general, the Group remains cautiously optimistic about the global property market given the continuing low interest rate environment.

2014 was a significant year for PCPD in that a major asset of the Group, Pacific Century Place, Beijing, was disposed for an initial consideration of US$928 million. The proceeds from the sale, after loan repayment and the full redemption of 2014 Convertible Note, have greatly enhanced the Group's financial position and flexibility when it comes to examining future investment opportunities.

The Group is currently adopting a two-pronged approach in its business development. First, the Group will continue to develop its existing projects. The hotel and resort projects in Japan and Thailand are proceeding as scheduled. The Jakarta project is also progressing well, with its foundation and basement wall completed and the basement excavation work well underway. The Group is confident that the 40-storey Premium Grade A office building will be completed on schedule in 2017.

Another business development focus is to identify attractive opportunities for development and investment in residential, office, commercial, hotel and resort projects in order to enrich the Group's portfolio. To this end, the Group will examine opportunities in Asia and beyond.

By order of the Board
Pacific Century Premium Developments Limited
Tsang Sai Chung
Company Secretary

Hong Kong, February 10, 2015

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);
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*