Pacific Century
Premium Developments
盈科大衍地產發展

STOCK CODE: 00432

ANNUAL REPORT 2011

NURTURING
THE FUTURE

The name **Pacific Century Premium Developments** signifies the company's sharp focus on the high-end segment of property markets in the region.

In Chinese, the name takes on a more aspirational meaning that invites reflection on the company's origins and progress to the present day, as well as its ambitions for the future.

The structure of the name contains a reference to rivers and streams leading to the sea. According to ancient literature, all such waterways share that destiny and tend to be individually active and dynamic in making their way to the coast, where they finally achieve success together.

The Chinese version of PCPD's name also symbolises vigorous growth into prosperity and can be likened to acorns developing into oak trees, which are well known for their towering size, solid stature and longevity. Interestingly, this analogy is very similar to the popular English saying: 'From tiny acorns do mighty oak trees grow'.

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CORPORATE PROFILE

Majority-owned by PCCW Limited (“PCCW”, SEHK: 00008), Pacific Century Premium Developments Limited (“PCPD” or the “Group”, SEHK: 00432) is mainly engaged in developing and managing premium property and infrastructure projects, as well as investing in premium-grade buildings in the Asia-Pacific region.

PROPERTY DEVELOPMENT AND INVESTMENT

In Hong Kong, PCPD completed the landmark luxury-lifestyle residential complex Bel-Air at the end of 2008. This has since become one of the most prestigious developments in the city. The Group has also developed ONE Pacific Heights, a luxury residential project situated in the western part of Hong Kong Island.

In Mainland China, Pacific Century Place – the Group's premium-grade investment property in the Chaoyang district of Beijing – is the preferred location for many renowned corporations, esteemed retailers and expatriate tenants.

The Group is continuously exploring potential investment throughout Asia and around the world. In line with this strategy, it has drawn up long-term plans to develop world-class all-season resorts in Hokkaido, Japan, and Phang-nga, southern Thailand.

PROPERTY AND ASSET MANAGEMENT

Drawing on its considerable experience and expertise, the Group provides property and asset management services and corporate services covering Grade-A commercial, luxury residential and retail properties.

STATEMENT FROM THE CHAIRMAN

THE ASIA PACIFIC COUNTRIES ARE NOW PLAYING A PIVOTAL ROLE IN DRIVING THE WORLD'S ECONOMIC GROWTH.

The global economy experienced a new wave of volatility during 2011 as the European debt crisis affected more countries in Eurozone. Across the Atlantic, the United States economy improved slightly, yet it is still too early to say whether it is back on a growth track. The Asia Pacific countries – particularly China – are now playing a pivotal role in driving the world's economic growth.

Property prices in Hong Kong generally rose in the first half of 2011, but the rising trend has started to reverse in the second half of 2011. Although interest rates remain relatively low, the deteriorating external environment and the cooling measures implemented by the HKSAR Government have led to a decline in the number of property transactions from the third quarter of 2011.

In view of the limited supply of high-end properties, we believe that the last three houses of Villa Bel-Air would still be highly sought after once they are put on the market. We expect that they will fetch good prices especially when the market environment becomes more favourable.

As for our overseas projects, the design work for our resort project in Hokkaido has proceeded according to schedule and the show house in Niseko is near completion. Japan is now gradually recovering from the earthquake that took place in March last year, we will continue to monitor the situation and make appropriate adjustments to our strategy for this project accordingly. Meanwhile, the master plan for our project in Phang-nga, Thailand, has now reached an advanced stage.

It is widely believed that the market environment will become more challenging for global investors in 2012. PCPD remains committed to developing major projects in order to sustain the Company's long-term growth and profitability, and we will be cautiously looking out for appropriate investment opportunities in Asia and worldwide.

In conclusion, I would like to take this opportunity to express my heartfelt gratitude to our shareholders, directors, management team and other colleagues for their continuous support during the past year.

Richard Li
Chairman

February 28, 2012

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

THE GROUP WILL CONTINUE TO PURSUE OPPORTUNITIES IN ASIA AND AROUND THE WORLD IN A CAUTIOUS MANNER.

I am pleased to report that the Group has achieved a consolidated turnover of approximately HK$2,126 million during the financial year ended December 31, 2011, representing an increase of 42 per cent compared to approximately HK$1,495 million for 2010.

The consolidated operating profit before the fair value adjustment of investment properties for 2011 was approximately HK$285 million, representing an increase of 10 per cent compared to approximately HK$259 million for 2010.

The consolidated operating profit after fair value adjustment of investment property for 2011 amounted to approximately HK$328 million compared to approximately HK$1,409 million in 2010.

The consolidated net profit for 2011 amounted to approximately HK$62 million, compared to approximately HK$864 million for 2010. Basic earnings per share were 2.58 Hong Kong cents, compared to 35.89 Hong Kong cents for 2010.

The Board of Directors ("the Board") did not recommend a final dividend for the year ended December 31, 2011.

Hong Kong's economy was robust during 2011. However, the disappointing economic performance of the developed nations has cast a shadow over its future outlook. This was reflected by the decline of the Hang Seng Index for approximately 20% in 2011.

Asia's economies remained relatively steady, although some countries had to battle against the aftermath of devastating natural crisis. There is increasing speculation that China might introduce measures to stimulate its economy.

After the introduction of relevant cooling off policies by the HKSAR Government, local prospective homebuyers have now become more cautious. The property prices have generally adjusted from the third quarter of 2011 onwards, and the transaction volume has been decreasing.

PCPD sold eight houses at Villa Bel-Air in 2011. It will sell the remaining three houses at appropriate prices at suitable times.

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

The Group will continue to pursue opportunities in Asia and around the world in a cautious manner.

Robert Lee
Chief Executive Officer and
Deputy Chairman

February 28, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis of the audited consolidated financial results and operations relating to the business of Pacific Century Premium Developments Limited ("Company") and its subsidiaries (together with the Company, "Group") for the year ended December 31, 2011 is set out below.

BUSINESS REVIEW

Property development

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

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

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

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

Property investment in Mainland China

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

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

Other businesses

The other businesses of the Group included property management in Hong Kong, Mainland China and Japan, as well as the Hanazono all-season resort operation. The revenue from these other businesses for 2011 amounted to approximately HK$156 million, compared to approximately HK$180 million for the previous year.

FINANCIAL REVIEW

Review of results

The Group recorded a consolidated turnover of approximately HK$2,126 million for 2011, representing an increase of approximately 42 per cent of the 2010 figure of approximately HK$1,495 million. Such increase was contributed by the increase of recognised revenue from the sale of Villa Bel-Air houses in 2011.

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

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

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

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

In accordance with the applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the revenue and profits from the sale of property development are recognised on completion of development, when the inflow of economic benefits associated with property sales transactions is assessed to be probable, and significant risks and rewards of ownership have been transferred.

Current assets and liabilities

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

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

Capital structure, liquidity and financial resources

As at December 31, 2011, the Group's borrowings amounted to approximately HK$2,799 million, compared to total borrowings of HK$2,754 million as at December 31, 2010. The increase represented the recognition of amortised redemption premium of HK$48 million for the tranche B convertible note of HK$2,420 million from PCCW group, netted off by HK$3 million bank loan repayment during the year. As at December 31, 2011, the Group's borrowings comprised RMB7.5 million short-term bank loan and the tranche B convertible note above which carries a fixed interest rate of 1 per cent per annum and will become repayable at 120 per cent of the outstanding principal amount at maturity in 2014. As the tranche B convertible note of HK$2,420 million is from the Company's major shareholder PCCW Limited ("PCCW"), it has not been included in the total debt for calculating the debt-to-equity ratio of the Group. As at December 31, 2011, the debt-to-equity ratio excluding the tranche B convertible note was approximately 0.1 per cent (as at December 31, 2010: 0.2 per cent).

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

All of the Group's borrowings were denominated in Hong Kong dollars and Renminbi. Cash and bank balances were held mainly in US dollars, Renminbi and Hong Kong dollars, and the remainder were in Thai Baht and Japanese Yen. As the Group has certain foreign operations, its net assets were exposed to risks of foreign currency translation. The Group's currency exposure with respect to these operations is mainly relating to Renminbi, Thai Baht and Japanese Yen.

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

Income tax

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

Charge on assets

As of December 31, 2011, certain investment properties of the Group with an aggregate carrying value of approximately HK$5,424 million (December 31, 2010: HK$5,125 million) were pledged to secure banking facilities of the Group.

Contingent liabilities

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

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2011, the Group employed a total number of 418 staff in Hong Kong and overseas. The remuneration policies of the Group are in line with prevailing industry practices. They have been formulated on the basis of performance and experience, and they are reviewed regularly. Bonuses are paid on a discretionary basis, based on the performance of individual employees, and the Group as a whole. The Group also provides comprehensive employee benefits, including medical insurance, a choice of a provident fund or a mandatory provident fund as well as training programmes.

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

DIVIDENDS

The Board did not recommend the payment of a final dividend for the year ended December 31, 2011 (2010: Nil).

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

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from April 26, 2012 to April 30, 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the forthcoming annual general meeting of the Company, all transfers, accompanied by the relevant share certificates, should be lodged with the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on April 25, 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

OUTLOOK

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

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

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

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

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

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard
Chairman

Mr Li, aged 45, is an executive director and the chairman of Pacific Century Premium Developments Limited ("PCPD"), chairman of PCPD's Executive Committee, a member of PCPD's Remuneration Committee and Nomination Committee of PCPD Board. He became a director of PCPD in May 2004. He also holds positions in the following companies:

(1) the chairman and an executive director of PCCW Limited ("PCCW");
(2) the chairman of PCCW's Executive Committee;
(3) a member of PCCW's Nomination Committee of the PCCW board;
(4) the executive chairman and an executive director of HKT Limited ("HKT") and HKT Management Limited, the trustee-manager of the HKT Trust;
(5) the chairman of HKT's Executive Committee;
(6) a member of HKT's Nomination Committee of the HKT board;
(7) the chairman and chief executive of the Pacific Century Group; and
(8) the chairman of Singapore-based Pacific Century Regional Developments Limited.

Mr Li is a non-executive director of The Bank of East Asia, Limited. He is also a member of the Global Information Infrastructure Commission. Mr Li was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

LEE Chi Hong, Robert
Chief Executive Officer and Deputy Chairman

Mr Lee, aged 60, is an executive director, the chief executive officer, the deputy chairman of PCPD and a member of PCPD's Executive Committee. He became a director of PCPD in May 2004. He is also an executive director of PCCW and a member of PCCW's Executive Committee.

Mr Lee was previously an executive director of Sino Land Company Limited ("Sino Land"), at which his responsibilities included sales, finance, acquisitions, investor relations, marketing and property management. Prior to joining Sino Land, Mr Lee was a senior partner at Deacons in Hong Kong, where he specialised in banking, property development, corporate finance and dispute resolution in Hong Kong and mainland China. Before that, Mr Lee was a solicitor with the London firm Pritchard Englefield & Tobin (now Pritchard Englefield). He was enrolled as a solicitor in the United Kingdom in 1979 and admitted as a solicitor in Hong Kong in 1980. He became a Notary Public in Hong Kong in 1991.

Mr Lee had also served as a member of the panel of arbitrators of the China International Economic and Trade Arbitration Commission of the China Council for the Promotion of International Trade in Beijing.

Mr Lee graduated from Cornell University in the United States in 1975 with a Bachelor's degree in Political Science.

LAM Yu Yee
Deputy Chief Executive Officer and Chief Financial Officer

Mr Lam, aged 50, is an executive director, the deputy chief executive officer, the chief financial officer of PCPD and a member of PCPD's Executive Committee. He joined PCPD in September 2004 and became a director of PCPD in September 2007.

Prior to joining PCPD, Mr Lam was the chief financial officer of Asia Pacific Resources International Limited in Singapore in 2003 and was appointed as its president of China Operations in April 2004. Between 1999 and 2003, Mr Lam was an executive director and the group chief financial officer of Sino Land Company Limited. Prior to joining Sino Land Company Limited, he had worked in financial institutions for over ten years and had substantial experience in corporate finance and investment banking.

Mr Lam holds a Bachelor of Science degree in Industrial Engineering from The University of Hong Kong ("HKU") and a Master of Business Administration degree from the Manchester Business School.

James CHAN

Mr Chan, aged 58, is an executive director, the project director of PCPD and a member of PCPD's Executive Committee. He became a director of PCPD in August 2005. Mr Chan is responsible for managing various property projects of PCPD and its subsidiaries. He was responsible for the project execution of the Cyberport project and has overall responsibility for all aspects of the construction works. Mr Chan has become an independent non-executive director of Beijing Properties (Holdings) Limited in June 2011.

Prior to joining PCCW in October 2002, Mr Chan had been practising as an architect and working for a major developer in Hong Kong for 14 years, with comprehensive experience in design, planning and land matters, design development and construction management of major investment properties in that developer's portfolio, which included a wide range of industrial and warehousing, commercial, retail and residential developments in Hong Kong and overseas. He possesses a wide spectrum of experience in the property industry and has been active in the property business for more than 33 years.

BOARD OF DIRECTORS

Mr Chan holds a Bachelor of Arts in Architectural Studies degree from the HKU, a Bachelor of Architecture degree from University of Dundee in Scotland and a Master Degree of Business Administration from Tsinghua University. He is qualified as the Authorized Person (List I) and Registered Architect in Hong Kong, and is a member of The Hong Kong Institute of Architects, The Royal Institute of British Architects and The Australian Institute of Architects.

GAN Kim See, Wendy

Ms Gan, aged 46, is an executive director and the sales and marketing director of PCPD. She became a director of PCPD in August 2005. Ms Gan is responsible for the overall sales and marketing of PCPD's property assets, in particular the residential portion of the Cyberport project, Bel-Air.

Before joining PCCW in November 2000, Ms Gan was head of sales and marketing at Swire Properties Limited, looking after that company's portfolio of residential, office and retail developments. She has more than 20 years' experience in property development and management and expertise in the sales and marketing of projects in Hong Kong and overseas.

Her marketing campaigns have received top honours at the HKMA/TVB Marketing Excellence Award for three years, a MAXI Award from the International Council of Shopping Centers, several HK 4A's Awards and the Hong Kong Institute of Surveyors' top awards in property marketing.

Ms Gan holds a Bachelor of Arts degree with First Class Honours from the HKU and an Executive Master of Business of Administration degree jointly awarded by the Kellogg School of Management of the Northwestern University in USA and the Business School of the Hong Kong University of Science and Technology. She sits on the Management Board of the HKU School of Professional and Continuing Education and is an Honorary Advisor of the HKU Foundation for Educational Development and Research. Ms Gan received a Diploma in Surveying from the College of Estate Management, United Kingdom and is a member of the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Surveyors and the Hong Kong Real Estate Developers Association.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHEUNG Kin Piu, Valiant

Mr Cheung, aged 66, is an independent non-executive director of PCPD, the chairman of PCPD's Remuneration Committee of the Board and a member of PCPD's Audit Committee and Nomination Committee of the Board. He became a director of PCPD in October 2004.

Mr Cheung had been a partner at KPMG, a leading international accounting firm in Hong Kong, until his retirement in March 2001. He has extensive experience in assurance and corporate finance work, particularly in trading and manufacturing corporations in Hong Kong and the PRC. Mr Cheung has assisted a number of companies in obtaining stock exchange listings in Hong Kong, the PRC, Singapore and the United States. In addition, he has provided financial advisory and due diligence services to foreign investors on investments in the PRC.

Mr Cheung is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He is currently an independent non-executive director of the following listed companies in Hong Kong:

(1) Dah Chong Hong Holdings Limited;
(2) The Bank of East Asia, Limited; and
(3) Vitasoy International Holdings Limited.

In addition, he is also an independent non-executive director of The Bank of East Asia (China) Limited, an non-listed company and a wholly-owned subsidiary of The Bank of East Asia, Limited.

Prof WONG Yue Chim, Richard, SBS, JP

Prof Wong, aged 59, is an independent non-executive director of PCPD, the chairman of PCPD's Audit Committee and a member of PCPD's Remuneration Committee and Nomination Committee of the Board. He became a director of PCPD in July 2004.

Prof Wong is currently the Professor of Economics of the HKU, and was formerly the Deputy Vice-Chancellor and Provost at the HKU. He has been active in advancing economic research on policy issues in Hong Kong and the PRC through his work as founding director of both The Hong Kong Centre for Economic Research and Hong Kong Institute of Economics and Business Strategy. Prof Wong was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions in education, housing, industry and technology development. In addition, he was appointed a Justice of the Peace in July 2000. He studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy.

BOARD OF DIRECTORS

Prof Wong is currently an independent non-executive director of the following listed companies in Hong Kong:

(1) CK Life Sciences Int'l., (Holdings) Inc.;
(2) Great Eagle Holdings Limited;
(3) Orient Overseas (International) Limited; and
(4) Sun Hung Kai Properties Limited.

Prof Wong is also an independent non-executive director of the following companies:

(1) The Link Management Limited (the manager of The Link Real Estate Investment Trust);
(2) Hong Kong Mercantile Exchange Limited; and
(3) Industrial and Commercial Bank of China (Asia) Limited (withdrawal of listing of shares on the Hong Kong Stock Exchange Limited since December 21, 2010).

Dr Allan ZEMAN, GBM, GBS, JP

Dr Zeman, aged 63, is an independent non-executive director of PCPD, the chairman of PCPD's Nomination Committee of the Board and a member of PCPD's Audit Committee. He became a director of PCPD in June 2004.

After spending more than 40 years in Hong Kong, Dr Zeman has established business interests in Hong Kong and overseas that include property development, entertainment and public relations.

Dr Zeman is the chairman of Ocean Park Corporation, which manages and controls the Ocean Park, a major theme park in Hong Kong. He is also the chairman of Lan Kwai Fong Holdings Limited, the major property owner and developer in Lan Kwai Fong, one of Hong Kong's popular tourist attractions.

Dr Zeman serves as a board member of the West Kowloon Cultural District Authority ("WKCDA"), the chairman of WKCDA's Performing Arts Committee and member of WKCDA's Development Committee, the Investment Committee and the Consultation Panel. He is also a member of the Commission on Strategic Development of Central Policy Unit and Food Business Task Force of the Economic Analysis and Business Facilitation Unit of The Government of the Hong Kong Special Administrative Region. In addition, Dr Zeman is a member of the Board of Governors of the Canadian Chamber of Commerce, the General Committee member of the Hong Kong General Chamber of Commerce and a member of the Asian Advisory Board of the Richard Ivey School of Business, The University of Western Ontario.

Dr Zeman is also a director of The "Star" Ferry Company, Limited, a vice chairman and non-executive director of Wynn Macau, Limited, an independent non-executive director of Sino Land Company Limited and Tsim Sha Tsui Properties Limited. Dr Zeman is also a director of Wynn Resorts, Limited, a listed company in the United States. He was an independent non-executive director of The Link Management Limited (the manager of The Link Real Estate Investment Trust) since September 2004 to July 2011.

CORPORATE GOVERNANCE REPORT

Pacific Century Premium Developments Limited ("PCPD" or "Company") and its subsidiaries ("Group") has made continued efforts to incorporate the key elements of sound corporate governance in its management structure and internal procedures. The Group is committed to high standards of ethics and integrity in all aspects of business and to ensuring that its affairs are conducted in accordance with applicable laws and regulations and for the benefit and in the interests of shareholders of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions contained in the Code on Corporate Governance Practices ("Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended December 31, 2011, except that the chairman of the board of directors of the Company ("Board") and the chairman of the nomination committee of the Board ("Nomination Committee") were unable to attend the annual general meeting of the Company held on May 5, 2011 as both were tending business overseas on that date.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted its own code of conduct regarding securities transactions by directors and senior management, namely the PCPD Code of Conduct for Securities Transactions by Directors and Senior Management ("PCPD Code") on terms no less exacting than those of the Model Code for Securities Transactions by Directors of Listing Issuers set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiries with all the directors of the Company, and they confirmed that they had complied with the requirements under the PCPD Code for the year ended December 31, 2011.

BOARD OF DIRECTORS

As at the date of this report, the Board has eight members, comprising five executive directors and three independent non-executive directors. Mr Cheung Kin Piu, Valiant, one of the independent non-executive directors, is a qualified accountant with substantial experience in accounting and financial matters. The biographies of all the directors up to the date of this report are set out on pages 12 to 17 of this annual report.

The Board is responsible for the management of the Company. Key responsibilities of the Board include formulation of the overall strategies of the Group, setting of management targets and supervision of management performance. The Board confines itself to making broad policy decisions and exercising the reserved powers set out below:

1. those functions and matters as set out in the terms of reference of various committees of the Board for which approval of the Board must be sought from time to time;
2. those functions and matters for which approval of the Board must be sought in accordance with the Group's internal policy;

BOARD OF DIRECTORS – CONTINUED

3. consideration and approval of financial statements in interim reports and annual reports and announcements and press releases of interim and final results;

4. consideration of dividend policy and dividend amount; and

5. monitoring of the corporate governance of the Group in order to comply with the applicable rules and regulations.

The responsibility of more detailed consideration has been delegated to the executive committee of the Board ("Executive Committee") under the leadership of the chairman of the Board.

Mr Li Tzar Kai, Richard is the chairman and Mr Lee Chi Hong, Robert is the chief executive officer of the Company. The role of the chairman is separate from that of the chief executive officer. The chairman is responsible for ensuring that the Board functions effectively, for providing leadership for the Board in setting the corporate goals and objectives of the Company and for ensuring that good corporate governance practices and procedures are established and enforced. The chief executive officer is responsible for the day-to-day management of the Group's business and operations and for ensuring effective implementation of the Group's strategy. With effect from November 29, 2011, Mr Lee Chi Hong, Robert has been appointed as the deputy chairman of the Company.

All directors have full and timely access to all relevant information, including reports from each committee of the Board and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors are also entitled to take independent professional advice, which will be paid for by the Company.

The directors acknowledge their responsibility for preparing the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the profits and cash flows of the Group and which are prepared in accordance with the Hong Kong Financial Reporting Standards, the Companies Ordinance of Hong Kong and the Listing Rules. In preparing the financial statements for the year ended December 31, 2011, the directors have selected suitable accounting policies and applied them consistently, made judgements and estimates that were prudent and reasonable, stated the reasons for any significant departure from applicable accounting standards in Hong Kong and prepared the financial statements on a going concern basis. The directors are responsible for keeping proper accounting records which would reflect with reasonable accuracy at any time the financial position, results of operations, cash flows and changes in equity of the Group. The statement of the auditor of the Company relating to their reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report on pages 44 to 45.

One-third of the members of the Board are independent non-executive directors which complies with the minimum number required under the Listing Rules. The Company has received from each of its independent non-executive directors the written confirmation confirming his independence to the Company and the Company considers that those directors are independent in accordance with Rule 3.13 of the Listing Rules.

Each of the non-executive directors of the Company is appointed for a term of two years from the date of his appointment or re-election. However, all the directors of the Company are subject to retirement by rotation and re-election at the annual general meeting once every three years in accordance with the Code.

CORPORATE GOVERNANCE REPORT

EXECUTIVE COMMITTEE

The Executive Committee operates as a general management committee with overall delegated authority from the Board. This ensures that decisions can be taken quickly to enable the Group to seize opportunities in the fast-moving business environment. The Executive Committee determines group strategy, reviews trading performance, ensures adequate funding, examines major investments and monitors management performance. The authority and duties of the Executive Committee are set out in writing in its terms of reference and it reports through the chairman of the Board.

Current members of the Executive Committee are:

1. Li Tzar Kai, Richard (Chairman)
2. Lee Chi Hong, Robert
3. Lam Yu Yee
4. James Chan

REMUNERATION COMMITTEE

The remuneration committee of the Board ("Remuneration Committee") is responsible for ensuring that there are formal and transparent procedures for developing and overseeing the policies of the Company on the remuneration of executive directors and senior management. In addition, the Remuneration Committee supervises the administration of the share option scheme of the Company. The authority and duties of the Remuneration Committee are set out in writing in its terms of reference which specify, among other things, that it must comprise at least three members, the majority of whom are independent non-executive directors. The terms of reference are posted on the website of the Company.

Current members of the Remuneration Committee are:

1. Cheung Kin Piu, Valiant (Chairman)
2. Li Tzar Kai, Richard
3. Prof Wong Yue Chim, Richard

During the year ended December 31, 2011, the Remuneration Committee held one meeting. The attendance of individual directors at the committee meeting is set out in the table on page 25.

REMUNERATION COMMITTEE – CONTINUED

The following is a summary of the work performed by the Remuneration Committee during 2011:

A. reviewed the remuneration of the executive directors and the non-executive directors of the Company;

B. approved 2010 incentive bonus payments to certain executive directors and the proposed pay increase in 2011 for two executive directors; and

C. reviewed the existing terms of reference of the Remuneration Committee and considered that no revision was required.

Details of the remuneration of each director are set out in the financial statements on pages 76 to 78.

NOMINATION COMMITTEE

The Nomination Committee is responsible for ensuring that there are fair and transparent procedures for the appointment of directors to the Board. The authority and duties of the Nomination Committee are set out in writing in its terms of reference which specify, among other things, that it must comprise at least three members, the majority of whom are independent non-executive directors. The terms of reference are posted on the website of the Company.

Current members of the Nomination Committee are:

1. Dr Allan Zeman (Chairman)
2. Cheung Kin Piu, Valiant
3. Li Tzar Kai, Richard
4. Prof Wong Yue Chim, Richard

During the year ended December 31, 2011, the Nomination Committee held one meeting. The attendance of individual directors at the committee meeting is set out in the table on page 25.

The following is a summary of work performed by the Nomination Committee during 2011:

A. advised the Board on the list of directors who were due to retire pursuant to the applicable laws of Bermuda, the bye-laws of the Company and the Code and recommended their re-election to the Board; and

B. reviewed the existing terms of reference of the Nomination Committee and considered that no revision was required.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The audit committee of the Board ("Audit Committee") is responsible for ensuring the objectivity and credibility of the Group's financial reporting and for ensuring that the directors have exercised due care, diligence and skills prescribed by law when presenting results to the shareholders. The authority and duties of the Audit Committee are set out in writing in its terms of reference which are posted on the website of the Company.

The responsibilities of the Audit Committee include the appointment, compensation and supervision of the external auditor. To ensure that the auditor is independent, procedures have been adopted for the Audit Committee to review the fees for audit and non-audit services provided to the Group by the external auditor.

The Audit Committee reviews the Group's financial statements and internal financial reports, as well as compliance processes and internal control systems, including the internal audit unit.

All members of the Audit Committee are independent non-executive directors. Current members of the Audit Committee are:

1. Prof Wong Yue Chim, Richard (Chairman)
2. Cheung Kin Piu, Valiant
3. Dr Allan Zeman

The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, internal auditor and external auditor and reviews their reports. During the year ended December 31, 2011, the Audit Committee held two meetings. The attendance of individual directors at the committee meetings is set out in the table on page 25.

The following is a summary of work performed by the Audit Committee during 2011:

A. reviewed the financial statements of the Company for the year ended December 31, 2010 and the related annual results announcement and auditor's report; and made recommendations to the Board that the same be approved;

B. reviewed the report of the external auditor and made recommendations to the Board for their re-appointment at the 2011 annual general meeting;

C. reviewed the financial statements of the Company for the six months ended June 30, 2011 and the related interim results announcement and made recommendations to the Board that the same be approved;

AUDIT COMMITTEE – CONTINUED

D. reviewed external auditor's reports to the Audit Committee and their terms of engagement, communications plan and an audit plan for the Group for the financial year ended December 31, 2011;

E. reviewed various internal audit reports;

F. reviewed the existing terms of reference of the Audit Committee and considered that no revision was required;

G. reviewed the fees for audit and non-audit services provided by the external auditor;

H. reviewed the Group's continuing connected transactions and external auditor's report thereon; and

I. met with the external auditor in the absence of management.

In addition, the Audit Committee reviewed the financial statements for the year ended December 31, 2011 and the related annual results announcement and auditor's report, and recommended the Board to approve the same.

CORPORATE GOVERNANCE REPORT

EXTERNAL AUDITOR

The external auditor of the Group is PricewaterhouseCoopers. During the year ended December 31, 2011, the total fees in respect of audit and non-audit services provided by PricewaterhouseCoopers (which for this purpose includes any entity that is under the common control, ownership or management of the audit firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as being part of the firm nationally or internationally) amounted to approximately HK$5.7 million.

The significant non-audit services covered by these fees include the following:

Nature of service	Fees paid (HK$ million)
Tax advisory services	0.1
Non-statutory review services	1.5
Others	—
Total non-audit services fees	1.6

INTERNAL AUDIT

The internal audit unit of the Group provides independent assurance to the Board and management on the adequacy and effectiveness of the internal controls for the Group. The internal audit unit reports directly to the Audit Committee, the chief executive officer and the chief financial officer.

The internal audit unit adopts a risk and control-based audit approach. An annual work plan is formulated in advance and covers major activities and processes of the business and service units of the Group. All audit reports are communicated to the Audit Committee and audit issues are tracked and followed up for proper implementation, with progress reported to the Audit Committee.

The Group has adopted a Corporate Responsibility Policy that applies to all employees, including directors and officers. This sets out the standards by which the Group conducts its business and the responsibilities of the Group's employees. The policy includes guidance on obligations to the Company, civic responsibilities, equal opportunities, safeguarding of Company information and property, personal data privacy, prevention of bribery, conflicts of interest, competition, health and safety at work and the environment. The full version of the Corporate Responsibility Policy is posted on the website of the Company.

ATTENDANCE AT MEETINGS

All directors actively participate in Company business. The attendance records of current directors for the Board meetings and meetings of the Board Committees during the year ended December 31, 2011 are set out below:

	Meetings attended/held in 2011				
Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Annual General Meeting**
Executive directors					
Li Tzar Kai, Richard	5/5	N/A	1/1	1/1	0/1
Lee Chi Hong, Robert	5/5	N/A	N/A	N/A	1/1
Lam Yu Yee	5/5	N/A	N/A	N/A	1/1
James Chan	5/5	N/A	N/A	N/A	1/1
Gan Kim See, Wendy	5/5	N/A	N/A	N/A	1/1
Independent non-executive directors					
Cheung Kin Piu, Valiant	5/5	2/2	1/1	1/1	1/1
Prof Wong Yue Chim, Richard	5/5	2/2	1/1	1/1	1/1
Dr Allan Zeman	5/5	2/2	1/1	N/A	0/1

INVESTOR RELATIONS

The Company encourages two-way communications with both institutional and private investors. Extensive information on the activities of the Company is provided in the annual and interim reports, which are sent to shareholders. Regular dialogue takes place with institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the Company are welcomed and will be dealt with in an informative and timely manner. Relevant contact information is provided on page 120 of this annual report.

In order to promote effective communications, financial and other information relating to the Group and its business activities is disclosed on the website of the Company.

CORPORATE GOVERNANCE REPORT

STAFF TRAINING AND DEVELOPMENT

In 2011, the Group continued to enhance and improve the standard among employees. The Group provided training courses for employees or sponsored employees to attend courses organised by third parties, with the total number of training hours exceeding 1,900 hours. Training courses were designed to assist employees to better comply with the policies and standards of the Group and improve their career prospects within the Group. Such courses included customer service enhancement programs, supervisory and people management courses, anti-corruption seminars jointly organised with the Independent Commission Against Corruption, language proficiency courses, technical refresher courses and training, occupational health and safety training and training for the enhancement of mass awareness of compliance and regulatory issues.

COMMUNITY

The Group proactively participated in and sponsored various charitable or community projects last year. The Group has been a sponsor of the CyberRun for Rehab since its inception in 2004 to help raise funds for the Hong Kong Society for Rehabilitation.

ENVIRONMENT

The Group is committed to sustainability and seeks to promote environment-friendly measures in its operations. Apart from adopting green building exemplary performance strategies in its development projects, the Group has joined the Hong Kong Green Building Council as institutional member to become part of the driving forces in advocating sustainable built environment in Hong Kong. This further demonstrates our commitment to corporate sustainability and responsibility.

On behalf of the Board

CHENG Wan Seung, Ella
Company Secretary

Hong Kong, February 28, 2012

Financial Information

REPORT OF THE DIRECTORS

The board of directors ("Board") of Pacific Century Premium Developments Limited ("Company") present its annual report together with the audited consolidated financial statements of the Company and its subsidiaries ("Group") for the year ended December 31, 2011.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the development and management of premium property and infrastructure projects, as well as investment in premium-grade buildings, in the Asia-Pacific region.

Details of segment information are set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2011 are set out in the accompanying consolidated statement of comprehensive income on page 46.

For the year ended December 31, 2011, the Board of the Company did not declare any interim dividend (2010: Nil).

The Board did not recommend the payment of a final dividend for the year ended December 31, 2011 (2010: Nil).

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 118.

SUBSIDIARIES

Particulars of the principal subsidiaries of the Company are set out in note 20 to the consolidated financial statements.

FIXED ASSETS

Details of movements in investment properties, property, plant and equipment, properties under development/held for development/held for sale of the Group and the Company during the year are set out in notes 14 to 16 to the consolidated financial statements.

BORROWINGS

Particulars of the borrowings of the Group and the Company are set out in note 21(d) and note 22 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 47 and note 27 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2011, the aggregate sales attributable to the Group's five largest customers represented approximately 51.08 per cent of the Group's total sales, while the sales to the largest customer for the Group accounted for approximately 13.91 per cent of the Group's total sales. For the year ended December 31, 2011, none of the directors of the Company (or their associates) nor any shareholders of the Company (which have, to the knowledge of the directors of the Company, owned more than 5 per cent of the issued share capital of the Company) had any interest in major customers of the Group.

The aggregate purchases attributable to the Group's five largest suppliers represented approximately 13.47 per cent of the total purchases made by the Group, while the purchases from the largest supplier for the Group accounted for approximately 5.67 per cent of the total purchases made by the Group.

DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were:

Executive Directors

Li Tzar Kai, Richard *(Chairman)*	
Alexander Anthony Arena *(Deputy Chairman)*	(resigned with effect from November 29, 2011)
Lee Chi Hong, Robert *(Chief Executive Officer and Deputy Chairman)*	(appointed Deputy Chairman on November 29, 2011)
Lam Yu Yee *(Deputy Chief Executive Officer and Chief Financial Officer)*	(appointed Chief Financial Officer on November 29, 2011)
James Chan	
Gan Kim See, Wendy	

Independent Non-Executive Directors

Cheung Kin Piu, Valiant
Prof Wong Yue Chim, Richard, SBS, JP
Dr Allan Zeman, GBM, GBS, JP

In accordance with bye-law 87 of the bye-laws of the Company, Li Tzar Kai, Richard and James Chan shall retire by rotation at the forthcoming annual general meeting and they, being eligible, will offer themselves for re-election.

In addition, each of the non-executive directors is appointed for a term of two years. As Prof Wong Yue Chim, Richard and Dr Allan Zeman were re-elected as directors at the annual general meeting in 2010, they shall retire at the forthcoming annual general meeting and they, being eligible, will offer themselves for re-election.

REPORT OF THE DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive directors a written confirmation of his independence for the year confirming his independence to the Company and the Company considers that they are independent in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules").

DIRECTORS' SERVICE CONTRACTS

Neither of the directors who are proposed for re-election at the forthcoming annual general meeting has with the Group an unexpired service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2011, the directors and the chief executive of the Company and their associates had the following interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules:

1. The Company

   As at December 31, 2011, the Company had not been notified of any interests or short positions in the shares or underlying shares or debentures of the Company held by the directors or the chief executive of the Company or their associates.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES – CONTINUED

2. Associated Corporation of the Company

A. Interests in PCCW Limited ("PCCW")

The tables below set out the aggregate long positions of the directors and the chief executive of the Company in the shares and underlying shares of PCCW, the ultimate holding company of the Company and the debentures issued by PCCW-HKT Capital No.2 Limited, an associated corporation of PCCW, as at December 31, 2011.

(i) Shares and Underlying Shares

	Number of ordinary shares						
Name of director/ chief executive	Personal interests	Family interests	Corporate interests	Other interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital
Li Tzar Kai, Richard	—	—	271,666,824 *(Note I(a))*	1,740,004,335 *(Note I(b))*	—	2,011,671,159	27.66%
Lee Chi Hong, Robert	992,600 *(Note III(a))*	511 *(Note III(b))*	—	—	5,000,000 *(Note II)*	5,993,111	0.08%
James Chan	—	—	—	—	210,000 *(Note II)*	210,000	0.003%
Gan Kim See, Wendy	—	—	—	—	240,000 *(Note II)*	240,000	0.003%

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES – CONTINUED

2. Associated Corporation of the Company – Continued

A. Interests in PCCW – Continued

(ii) Debentures

		Number of ordinary shares				
Name of director/ chief executive	Name of Company	Personal interest	Family interest	Corporate interests	Other interests	Total
Li Tzar Kai, Richard	PineBridge Investments Asia Limited	—	—	US$10,000,000 6% guaranteed notes due 2013 *(Note IV)*	—	US$10,000,000 6% guaranteed notes due 2013

Notes:

I. (a) Of these shares of PCCW, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), held 237,919,824 shares and Eisner Investments Limited ("Eisner") held 33,747,000 shares. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner.

(b) These interests represented:

(i) a deemed interest in 36,726,857 shares of PCCW held by Yue Shun Limited ("Yue Shun"), a subsidiary of Hutchison Whampoa Limited ("HWL"). Cheung Kong (Holdings) Limited ("Cheung Kong") through certain subsidiaries held more than one-third of the issued share capital of HWL. Li Tzar Kai, Richard was a discretionary beneficiary of certain discretionary trusts which held units in unit trusts which in turn held interests in certain shares of Cheung Kong and HWL. Li Tzar Kai, Richard was also interested in one-third of the issued share capital of two companies, which owned all the shares in the trustee companies which acted as trustees of such discretionary trusts and unit trusts. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in 36,726,857 shares of PCCW held by Yue Shun;

(ii) a deemed interest in 154,785,177 shares of PCCW held by Pacific Century Group Holdings Limited ("PCGH"). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in 154,785,177 shares of PCCW held by PCGH;

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES – CONTINUED

2. Associated Corporation of the Company – Continued

A. Interests in PCCW – Continued

Notes: – Continued

(iii) a deemed interest in 1,548,211,301 shares of PCCW held by Pacific Century Regional Developments Limited ("PCRD"), a company in which PCGH had, through certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 75.74% interest in PCRD. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Li Tzar Kai, Richard was also deemed to be interested in 0.91% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in 1,548,211,301 shares of PCCW held by PCRD; and

(iv) a deemed interest in 281,000 shares of PCCW held by PineBridge Investments LLC ("PBI LLC") in the capacity as investment manager. PBI LLC was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in 281,000 shares of PCCW held by PBI LLC.

II. These interests represented the interests in underlying shares in respect of share options granted by PCCW under its share option scheme adopted on September 20, 1994 to the directors and the chief executive of the Company as beneficial owners as at December 31, 2011, details of which are set out as follows (all dates are shown month/day/year):

Name of director/ chief executive	Date of grant	Vesting period	Exercisable period	Exercise price HK$	Number of options: Outstanding as at 01.01.2011	Number of options: Outstanding as at 12.31.2011
Lee Chi Hong, Robert	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	5,000,000	5,000,000
James Chan	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	210,000	210,000
Gan Kim See, Wendy	01.22.2001	01.22.2002 to 01.22.2004	01.22.2002 to 01.22.2011	16.840	180,000	–
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	240,000	240,000

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES – CONTINUED

2. Associated Corporation of the Company – Continued

A. Interests in PCCW – Continued

Notes: – Continued

III. (a) These shares were held jointly by Lee Chi Hong, Robert and his spouse.

(b) These shares were held by the spouse of Lee Chi Hong, Robert.

IV. PineBridge Investments Asia Limited ("PBIA") in the capacity as of investment manager held US$10,000,000 of 6% guaranteed notes due 2013 ("Notes") issued by PCCW-HKT Capital No.2 Limited, an associated corporation of PCCW. PBIA was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the amount of US$10,000,000 of the Notes held by PBIA.

B. Short Positions in PCCW

As at December 31, 2011, the Company had not been notified of any short positions in the shares or underlying shares or debentures of PCCW held by the directors or the chief executive of the Company or their associates.

C. Interests in the HKT Trust and HKT Limited

The table below sets out the aggregate interests in the shares stapled units which were jointly issued by the HKT Trust and HKT Limited ("Shares Stapled Units")[(Note 1)] and the long positions therefore as held by the directors and the chief executive of the Company as at December 31, 2011:

Name of director/ chief executive	Number of Shares Stapled Units: Personal interests	Family interests	Corporate interests	Other interests	Number of underlying Shares Stapled Units held under equity derivatives	Total	Approximate percentage of issued Shares Stapled Units
Li Tzar Kai, Richard	—	—	213,667,707 *(Note II(a))*	87,532,555 *(Note II(b))*	—	301,200,262	4.69%
Lee Chi Hong, Robert	21,578 *(Note III(a))*	11 *(Note III(b))*	—	—	—	21,589	0.0003%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES – CONTINUED

2. Associated Corporation of the Company – Continued

C. Interests in the HKT Trust and HKT Limited – Continued

Notes:

I. Each Share Stapled Unit confers an interest in:

(a) one voting ordinary share of HK$0.0005 in HKT Limited; and
(b) one voting preference share of HK$0.0005 in HKT Limited,

for the purpose of Part XV of the SFO, in addition to an interest in one unit in the HKT Trust.

Under the trust deed dated November 7, 2011 constituting the HKT Trust, entered into between HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) and HKT Limited, and as supplemented, amended or substituted from time to time; and the amended and restated articles of association of HKT Limited, the number of ordinary shares and preference shares of HKT Limited in issue must be the same at all times and must also, in each case, be equal to the number of units of the HKT Trust in issue; and each of them is equal to the number of Share Stapled Units in issue.

II. (a) Of these Share Stapled Units, (i) PCD held 6,797,708 Share Stapled Units and was interested in 5,172,169 Share Stapled Units which will be received on or around March 2, 2012 under the First PCCW Distribution (as defined in the prospectus jointly issued by the HKT Trust and HKT Limited dated November 16, 2011) ("First PCCW Distribution"); and (ii) Eisner held 200,964,200 Share Stapled Units; and was interested in the 733,630 Share Stapled Units which would be received on or around March 2, 2012 under the First PCCW Distribution.

(b) These interests represented:

(i) the deemed interests in 1,049,338 Share Stapled Units held by Yue Shun and the 798,409 Share Stapled Units which would be received by Yue Shun on or around March 2, 2012 under the First PCCW Distribution;

(ii) the deemed interests in 4,422,432 Share Stapled Units held by PCGH and the 3,364,894 Share Stapled Units which would be received by PCGH on or around March 2, 2012 under the First PCCW Distribution;

(iii) the deemed interests in 44,234,608 Share Stapled Units held by PCRD and the 33,656,766 Share Stapled Units which would be received by PCRD on or around March 2, 2012 under First PCCW Distribution; and

(iv) the deemed interests in 6,108 Share Stapled Units which would be received by PBI LLC in the capacity of investment manager on or around March 2, 2012 under the First PCCW Distribution.

III. (a) These interests represented the Share Stapled Units which would be received by Lee Chi Hong, Robert and his spouse on or around March 2, 2012 under the First PCCW Distribution.

(b) These interests represented the Share Stapled Units which would be received by the spouse of Lee Chi Hong, Robert on or around March 2, 2012 under the First PCCW Distribution.

REPORT OF THE DIRECTORS

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the share option schemes of the Company are set out in note 26 to the consolidated financial statements. Details of the options which have been granted and outstanding under the 2003 share option scheme during the year ended December 31, 2011 are as follows:

1. Outstanding options as at January 1, 2011 and as at December 31, 2011 (all dates are shown month/day/year)

Category of participant	Date of grant	Vesting period	Exercisable period	Exercise price HK$	Number of options: Outstanding as at 01.01.2011	Number of options: Outstanding as at 12.31.2011
Director of a subsidiary of the Company	12.20.2004	Fully vested on 12.20.2004	12.20.2004 to 12.19.2014	2.375	5,000,000	5,000,000

2. Options granted during the year ended December 31, 2011
During the year under review, no share options were granted.

3. Options exercised during the year ended December 31, 2011
During the year under review, no share options were exercised.

4. Options cancelled or lapsed during the year ended December 31, 2011
During the year under review, no share options were cancelled or lapsed.

No share options have been granted under the 2005 share options scheme since its adoption.

At no time during the year under review was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS IN SHARES OF SUBSTANTIAL SHAREHOLDERS

1. Interests in the Company

As at December 31, 2011, the following persons (other than directors or the chief executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares/ underlying shares held	Approximate percentage of issued share capital
PCCW	Beneficial owner	2,153,555,555 *(Note I)*	89.45%
Elliott Capital Advisors, L.P.	Interest of controlled corporations	555,292,500 *(Note II)*	23.06%
Peter Cundill & Associates (Bermuda) Ltd.	Investment manager	124,952,000 *(Note III)*	5.19%

Notes:

I. These interests represented (a) an interest in 1,481,333,333 shares in the Company held by Asian Motion Limited, a wholly-owned subsidiary of PCCW; and (b) an interest in respect of 672,222,222 underlying shares held by PCCW-HKT Partners Limited, a wholly-owned subsidiary of PCCW, arising as a result of the holding of the HK$2,420 million guaranteed convertible note issued by PCPD Wealth Limited, a wholly-owned subsidiary of the Company, on December 29, 2006.

II. Elliott Capital Advisors, L.P. has direct or indirect control over The Liverpool Limited Partnership and Elliott International, L.P. and is therefore deemed to control the exercise of the voting power of the 222,117,000 Shares held by The Liverpool Limited Partnership and the 333,175,500 Shares held by Elliott International, L.P. and these interests were based on Elliott Capital Advisors, L.P. latest Disclosure of Interests Notice filed on July 16, 2011 with the Company and as disclosed on the website of the Stock Exchange.

III. These interests were based on the latest Disclosure of Interests Notice of Peter Cundill & Associates (Bermuda) Ltd. filed on June 3, 2006 with the Company and as disclosed on the website of the Stock Exchange.

2. Short Positions in the Company

As at December 31, 2011, the Company had not been notified of any other person who had short positions in the shares or underlying shares of the Company to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed above, as at December 31, 2011, the Company had not been notified of any other person who had interests or short positions in the shares and underlying shares of the Company to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contract of significance (as defined in Appendix 16 to the Listing Rules) to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at December 31, 2011, directors of the Company had the following interests in businesses which competed or were likely to compete, either directly or indirectly, with the Group's business:

Name of director	Names of investee companies	Nature of business	Nature of interests
Li Tzar Kai, Richard	Cheung Kong and its subsidiaries ("Cheung Kong Group")	Property development and investment, hotel and serviced suite operation, property and project management and investment in securities	Deemed interests in Cheung Kong *(Note I)*
	HWL and its subsidiaries ("Hutchison Group")	Ports and related services, property and hotels, retail, energy, infrastructure, investments and others, and telecommunications	Certain personal and deemed interests in HWL *(Note II)*

Notes:

I. Certain businesses of the Cheung Kong Group may compete with certain aspects of the business of the Group. Li Tzar Kai, Richard is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts which in turn are interested in certain shares of Cheung Kong. Li Tzar Kai, Richard holds one-third of the issued share capital of two companies, which own all the shares in the trustee companies which act as trustees of such discretionary trusts and unit trusts. These trustee companies perform their functions as trustees independently without any reference to Li Tzar Kai, Richard. In view of the above, the Company considers that Li Tzar Kai, Richard is not able to exert control or influence over the Cheung Kong Group.

II. Li Tzar Kai, Richard was a director of HWL and certain of its subsidiaries until August 16, 2000, the day before the acquisition of Cable & Wireless HKT Limited (now known as PCCW-HKT Limited) became effective. Certain businesses of the Hutchison Group compete with certain aspects of the business of the Group. Li Tzar Kai, Richard has a personal interest in 110,000 shares in HWL, and is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts which in turn are interested in certain shares of HWL. Li Tzar Kai, Richard holds one-third of the issued share capital of two companies, which own all the shares in the trustee companies which act as trustees of such discretionary trusts and unit trusts. These trustee companies perform their functions as trustees independently without any reference to Li Tzar Kai, Richard. In view of the above, the Company considers that Li Tzar Kai, Richard is not able to exert control or influence over the Hutchison Group.

In addition, Li Tzar Kai, Richard and Lee Chi Hong, Robert are directors of certain private companies ("Private Companies"), which are engaged in property development and investment in Hong Kong and Japan.

DIRECTORS' INTERESTS IN COMPETING BUSINESS – CONTINUED

Further, Li Tzar Kai, Richard is a director of PCRD and Alexander Anthony Arena (resigned with effect from November 29, 2011) was a director of PCRD until November 28, 2011. PCRD is an investment holding company having interests in telecommunications and media (through PCCW), financial services, property and infrastructure in the Asia-Pacific region.

The business interests of the Private Companies in Hong Kong are not significant when compared with the business of the Group and it is unlikely that such business interests will compete with the business of the Group. The business interests in Japan, the Asia-Pacific region are also unlikely to compete with the existing business of the Group.

Li Tzar Kai, Richard has a controlling interest in some of the Private Companies. Further, he is or may be regarded as interested in PCRD and PCGH due to the interests as disclosed under the section headed "**Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures**" in this report.

As PCRD and the Private Companies are involved in the development and/or investment of properties of different types and/or in different locations, the Group has been operating independently of, and at arm's length from, the businesses of those companies.

Save as disclosed above, none of the directors or their respective associates have an interest in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

CHARITABLE DONATIONS

During the year, the Group made chariable donations in the aggregate amount of approximately HK$1 million (2010: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 25 to the consolidated financial statements.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws, although no restrictions against such rights exist under the laws of Bermuda.

CONNECTED TRANSACTIONS

Since the publication of the Company's annual report for the year ended December 31, 2010, the Group had entered into (or continued to be a party to) certain transactions which are "continuing connected transactions" as defined in the Listing Rules and which are subject to the disclosure requirements under Chapter 14A of the Listing Rules. The Company has complied with such disclosure requirements. Details of such transactions with PCCW and it subsidiaries ("PCCW Group") during the year are as follows:

Continuing connected transactions

I. As disclosed in the announcement of the Company dated March 29, 2007, PCPD Facilities Management Limited ("PCPD FM"), a wholly-owned subsidiary of the Company, and Reach Networks Hong Kong Limited ("Reach Networks"), a wholly-owned subsidiary of Reach Ltd., which is a 50:50 joint venture between Telstra Corporation Limited and PCCW, have on that day entered into two agreements for the provision of the facilities management services ("FM Services Agreement") and lease and tenant management services ("LTM Services Agreement") to Reach Networks at the fees calculated in accordance with the agreements, for a term of three years from April 1, 2007 to March 31, 2010. Upon expiry of the above agreements, as disclosed in the announcement of the Company dated March 23, 2010, PCPD FM has renewed the FM Services Agreement and the LTM Services Agreement, subject to the annual caps of HK$25 million and HK$2.7 million for facilities management services and lease and tenant management services respectively, for the period from April 1, 2010 to December 31, 2012, subject to the right of Reach Networks to terminate early at the end of the second year (i.e. on March 31, 2012) by giving not less than three months' prior notice in writing to PCPD FM. The aggregate fees charged by PCPD FM under the FM Services Agreement and the LTM Services Agreement for the period from January 1, 2011 to December 31, 2011 were approximately HK$21.3 million and HK$0.4 million respectively.

II. As disclosed in the announcement of the Company dated December 31, 2010, PCPD Operations Limited, an indirect wholly-owned subsidiary of the Company, and Hong Kong Telecommunications (HK) Limited, an indirect wholly-owned subsidiary of PCCW, have on that day entered into a master agreement for supply of goods and services ("2010 Master Agreement") which sets out the framework for the provision of certain goods and services by PCCW Group. The categories of goods and services which were provided pursuant to the 2010 Master Agreement for the period from January 1, 2011 to December 31, 2013 (both dates inclusive) were (i) Information Technology and Telecommunication Equipment and Services and (ii) Corporate and Other Services.

CONNECTED TRANSACTIONS – CONTINUED

Continuing connected transactions – continued

The aggregate contract amounts for transactions contemplated under the 2010 Master Agreement for the financial year ended December 31, 2011 are set out below:

Category of Services	Approximate aggregate contract amount for the financial year ended December 31, 2011	Annual Cap for the financial year ended December 31, 2011
	HK$'000	*HK$'000*
Information Technology and Telecommunication Equipment and Services	4,351	11,100
Corporate and Other Services	4,786	5,900

III. As disclosed in the announcement of the Company dated December 31, 2010, it is expected that 北京京威房地產開發有限公司 (Beijing Jing Wei House and Land Estate Development Co. Ltd.*), a wholly-owned subsidiary of the Company, would enter as lessor into various lease and licence agreements with various entities of the PCCW Group (as lessees or licensees) over certain units and space at Pacific Century Place, Beijing ("PCP Beijing"), the investment property of the Group located at No. 2A Gong Ti Bei Lu, Chaoyang district, Beijing, PRC. All leases or licenses of units and space at PCP Beijing between the Group and the PCCW Group ("PCP Beijing Leases") are required to be aggregated for each financial year. The annual cap and actual aggregate amount of the PCP Beijing Leases for the financial year ended December 31, 2011 are set out below:

	Approximate aggregate amount for the financial year ended December 31, 2011	Annual Cap for the financial year ended December 31, 2011
	RMB'000	*RMB'000*
Aggregate Value	8,155	11,000

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transactions for the financial year ended December 31, 2011 have been entered into:

A. in the ordinary and usual course of the business of the Group;

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS – CONTINUED

Continuing connected transactions – continued

B. either on normal commercial terms or on terms no less favourable to the Group than the terms available to or from independent third parties; and

C. in accordance with the relevant agreements governing them on the terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In addition, the auditor of the Company has confirmed to the Board in writing that, in respect of the continuing connected transactions for the financial year ended December 31, 2011:

A. all such transactions had been approved by the Board;

B. the transactions referred to in item I above involved the provision of goods and services by the Group and were conducted in accordance with the relevant pricing policies of the Group;

C. all such transactions were entered into in accordance with the terms of the relevant agreements governing them; and

D. none of the non-exempt continuing connected transactions had exceeded the caps disclosed in the Company's announcements dated March 23, 2010 and December 31, 2010.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in the normal course of business are set out in note 34 to the consolidated financial statements. Those related party transactions which constituted connected transactions/continuing connected transactions under the Listing Rules have complied with the applicable requirements of the Listing Rules.

PUBLIC FLOAT

Based on the latest shareholding disclosures published on the website of the Stock Exchange, as at the date of this report, the percentage of shares being held by the public was approximately 15.41 per cent, which was below the minimum percentage prescribed under Rule 8.08 ("Minimum Prescribed Percentage") of the Listing Rules. The shortfall arose as the shareholdings of Elliott Capital Advisors, L.P. (through certain entities it controlled) was 23.06 per cent of the issued share capital in the Company (based on its latest filed Disclosure of Interests Notices as at July 16, 2011 with the Stock Exchange) and it was hence a substantial shareholder and a connected person of the Company. The Company will take steps to restore its public holdings to the Minimum Prescribed Percentage as soon as practicable. Further announcement will be made in due course once there is concrete progress in the restoration of the public float of the Company. Details of the shareholdings of the substantial shareholders in the Company as at December 31, 2011 are disclosed under the section "**Interests and Short Positions in Shares of Substantial Shareholders**" in this report.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the corporate governance report in page 18 to 26 of this annual report.

AUDITOR

The financial statements for the financial year ended December 31, 2011 have been audited by PricewaterhouseCoopers who will retire at the conclusion of the forthcoming annual general meeting. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at that meeting.

On behalf of the Board

CHENG Wan Seung, Ella
Company Secretary

Hong Kong, February 28, 2012

* *For identification only*

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Pacific Century Premium Developments Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 46 to 117, which comprise the consolidated and company balance sheets as at December 31, 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, February 28, 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2011

HK$ million	Note(s)	2011	2010
Turnover	4, 5	**2,126**	1,495
Cost of sales		**(1,285)**	(748)
Gross profit		**841**	747
General and administrative expenses		**(580)**	(524)
Other income		**24**	34
Other gains, net	6	**—**	2
Surplus on revaluation of investment properties	14	**43**	1,150
Operating profit		**328**	1,409
Interest income		**28**	16
Finance costs	7	**(163)**	(174)
Profit before taxation	8	**193**	1,251
Income tax	11	**(131)**	(387)
Profit attributable to equity holders of the Company		**62**	864
Other comprehensive income:			
Currency translation differences:			
Exchange differences on translating foreign operations		**240**	268
Total comprehensive income		**302**	1,132
Earnings per share (expressed in Hong Kong cents per share)			
Basic	13	**2.58 cents**	35.89 cents
Diluted	13	**2.58 cents**	33.16 cents

The notes on pages 52 to 117 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

	2011						
HK$ million	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Employee share-based compensation reserve	Retained earnings	Total
Balance at January 1, 2011	**4,321**	**(565)**	**1,031**	**769**	**17**	**1,292**	**6,865**
Total comprehensive income for the year	**—**	**—**	**240**	**—**	**—**	**62**	**302**
Balance at December 31, 2011	**4,321**	**(565)**	**1,271**	**769**	**17**	**1,354**	**7,167**

	2010						
HK$ million	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Employee share-based compensation reserve	Retained earnings	Total
Balance at January 1, 2010	4,321	(565)	763	769	17	3,606	8,911
Total comprehensive income for the year	—	—	268	—	—	864	1,132
Special dividend	—	—	—	—	—	(3,178)	(3,178)
Balance at December 31, 2010	4,321	(565)	1,031	769	17	1,292	6,865

The notes on pages 52 to 117 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2011

HK$ million	Note(s)	2011	2010
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	14	**5,469**	5,152
Property, plant and equipment	15	**281**	215
Properties under development	16(a)	**508**	428
Properties held for development	16(b)	**618**	624
Intangible asset	17	**14**	—
Goodwill	18	**4**	4
Other receivables		**3**	3
		6,897	6,426
Current assets			
Properties held for sale	16(c)	**456**	773
Sales proceeds held in stakeholders' accounts	21(a)	**632**	845
Restricted cash	21(b), 30(b)	**703**	2,249
Trade receivables, net	21(c)	**12**	10
Prepayments, deposits and other current assets		**112**	109
Amounts due from fellow subsidiaries	34(c)	**16**	50
Amounts due from related companies	34(c)	**3**	3
Cash and cash equivalents	30(b)	**2,855**	2,179
		4,789	6,218

HK$ million	Note(s)	2011	2010
Current liabilities			
Short-term borrowings	21(d)	**9**	—
Current portion of long-term borrowings	22	**24**	24
Trade payables	21(e)	**45**	31
Accruals, other payables and deferred income	21(f)	**573**	976
Deposits received on sales of properties		**64**	65
Amounts due to fellow subsidiaries	34(c)	**4**	4
Amount payable to the HKSAR Government under the Cyberport Project Agreement	23	**603**	1,606
Current income tax liabilities		**23**	108
		1,345	2,814
Net current assets		**3,444**	3,404
Total assets less current liabilities		**10,341**	9,830
Non-current liabilities			
Long-term borrowings	22	**2,505**	2,374
Deferred income tax liabilities	29(a)	**669**	591
		3,174	2,965
Net assets		**7,167**	6,865
REPRESENTING:			
Issued equity	24	**4,321**	4,321
Reserves		**2,846**	2,544
		7,167	6,865

Approved by the board of directors on February 28, 2012 and signed on behalf of the Board by

Lee Chi Hong, Robert
Director

Lam Yu Yee
Director

The notes on pages 52 to 117 form part of these financial statements.

BALANCE SHEET

AS AT DECEMBER 31, 2011

HK$ million	Note	2011	2010
ASSETS AND LIABILITIES			
Non-current assets			
Investment in subsidiaries	19	**2,870**	2,870
Current assets			
Amounts due from subsidiaries	19	**7,102**	6,773
Cash and cash equivalents		**1**	1
		7,103	6,774
Current liabilities			
Accruals and other payables		**1**	2
Amount due to a subsidiary	19	**3,172**	3,174
		3,173	3,176
Net current assets		**3,930**	3,598
Total assets less current liabilities		**6,800**	6,468
Net assets		**6,800**	6,468
REPRESENTING:			
Share capital	24(b)	**241**	241
Reserves	27	**6,559**	6,227
		6,800	6,468

Approved by the board of directors on February 28, 2012 and signed on behalf of the Board by

Lee Chi Hong, Robert
Director

Lam Yu Yee
Director

The notes on pages 52 to 117 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

HK$ million	Note	2011	2010
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	30(a)	**804**	(109)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(111)**	(63)
Payment for investment properties		**(27)**	—
Purchase of intangible asset		**(14)**	—
Proceeds from disposal of property, plant and equipment		**1**	1
NET CASH USED IN INVESTING ACTIVITIES		**(151)**	(62)
FINANCING ACTIVITIES			
Repayment of borrowings		**(3)**	—
Dividends paid		**—**	(3,178)
NET CASH USED IN FINANCING ACTIVITIES		**(3)**	(3,178)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**650**	(3,349)
Exchange differences		**26**	22
CASH AND CASH EQUIVALENTS			
Balance at January 1,		**2,179**	5,506
Balance at December 31,	30(b)	**2,855**	2,179

The notes on pages 52 to 117 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011 (Amount expressed in Hong Kong dollars unless otherwise stated)

1. GENERAL INFORMATION

Pacific Century Premium Developments Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the development and management of property and infrastructure and investment in properties in Hong Kong and in the Asia-Pacific region.

The Company is a limited liability company incorporated in Bermuda and its securities are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

At December 31, 2011, the directors consider the parent company of the Group to be Asian Motion Limited, a company incorporated in British Virgin Islands, and the ultimate holding company of the Group to be PCCW Limited ("PCCW"), a company incorporated in Hong Kong. PCCW produces financial statements available for public use.

The financial statements set out on pages 46 to 117 were approved by the board of directors (the "Board") on February 28, 2012.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2011 comprise the Company and its subsidiaries.

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

The 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 3.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

b. Basis of preparation of the financial statements – Continued

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

Standards, amendments and interpretations effective from January 1, 2011 adopted by the Group but have no significant impact on the Group's financial statements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011 (Amount expressed in Hong Kong dollars unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

b. Basis of preparation of the financial statements – Continued

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

c. Subsidiaries

Subsidiaries are all entities (including special purpose entities) that are controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

The Group uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, investment in subsidiaries is stated at cost less any impairment losses (note 2(i)). The results of subsidiaries are recognised by the Company to the extent of dividends received and receivable at the balance sheet date.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

d. Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and that the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sales of properties

Revenue and profits arising from sales of completed properties are recognised upon execution of legally binding unconditional sales contracts upon which the beneficial interest in the properties passes to the purchasers together with the significant risks and rewards of ownership.

For pre-completion contracts for the sales of development properties for which legally binding unconditional sales contracts were entered, revenue and profits are recognised upon completion of the development and when significant risks and rewards of ownership have been transferred. Deposits and instalments received from purchasers prior to this stage are included in current liabilities.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Contract revenue

Revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of estimated value of work done to date against total contract revenue.

(iv) Service income

Service income is recognised when services are rendered to customers.

(v) Interest income

Interest income from bank deposits is accrued on a time-apportioned basis using the effective interest method by reference to the principal outstanding and the rates applicable.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011 (Amount expressed in Hong Kong dollars unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

e. Operating leases

Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets held for use in operating leases (as lessor)

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature as set out in note 2(g). Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(d)(ii).

(ii) Operating lease charges

Leases in which a significant portion of the risks and rewards of ownership retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

Up-front payments made for leasehold land held under operating leases are presented in the balance sheet as prepayments for operating leases and are amortised in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement.

f. Freehold land, property, plant and equipment and depreciation

Freehold land is stated at cost less impairment losses (note 2(i)) as the land has an indefinite useful life and are not subject to depreciation.

Property, plant and equipment held for own use are stated in the balance sheet at cost less accumulated depreciation and impairment losses (note 2(i)). The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use, including qualifying borrowing costs (note 2(s)). Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset and is depreciated over the original remaining useful life of the asset when it is probable that future economic benefits will flow to the Group and the costs can be measured reliably. All other subsequent expenditure, such as repairs and maintenance and overhaul costs, is recognised as an expense in the period in which it is incurred.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

f. Freehold land, property, plant and equipment and depreciation – Continued

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost on a straight-line basis over the estimated useful lives as follows:

Buildings and structures	5 to 51 years
Other plant and equipment	2 to 17 years

The useful lives of property, plant and equipment are reviewed, and adjusted if appropriate, at each balance sheet date.

g. Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation, and which are not occupied by the Group.

Land held under operating leases are classified and accounted for as an investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment properties are initially measured at their cost, including directly attributable construction costs, borrowing costs and other related transaction costs. After initial recognition, investment properties are stated in the balance sheet at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee and are prepared or reviewed annually by independent external valuers. The fair value of investment properties reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the properties. Changes in fair value arising on the revaluation of investment properties are recognised in the income statement.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011 (Amount expressed in Hong Kong dollars unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

h. Intangible asset (other than goodwill)

Other intangible asset acquired by the Group is stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)).

Amortisation of intangible asset with finite useful lives is charged to income statement on a straight-line basis over the asset's estimated useful lives. The right for rental collection is amortised from the date it is available for use and the estimated useful life is 21 years.

Both the intangible asset's useful life and the method of amortisation are reviewed annually.

i. Impairment of investment in subsidiaries and non-financial assets

Internal and external sources of information are reviewed at each balance sheet date 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 recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash inflows (a cash-generating unit).

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

i. Impairment of investment in subsidiaries and non-financial assets – Continued

(ii) Reversals of impairment losses

An impairment loss of an asset other than goodwill is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

j. Properties under development/held for development/held for sale

Properties under development are carried at the lower of cost and the estimated net realisable value. Cost includes original land acquisition costs, costs of land use rights, construction expenditures incurred and other direct development costs attributable to such properties, including interest incurred on loans directly attributable to the development prior to the completion of construction. The net realisable value is determined by reference to estimated sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses.

Properties under development with the development expected to be completed within one year from the balance sheet date, which have either been pre-sold or are intended for sale, are classified under current assets.

Properties held for development represent interests in land held for future development which are stated in the balance sheet at cost less impairment losses (note 2(i)).

Properties held for sale represent completed properties available for sale which are stated at the lower of cost and the estimated net realisable value. They are classified under current assets.

k. Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's net identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is stated in the consolidated balance sheet at cost less accumulated impairment losses (note 2(i)). Goodwill is allocated to cash-generating units and is tested annually for impairment. Impairment losses on goodwill are not reversed. On disposal of an entity or business unit, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011 (Amount expressed in Hong Kong dollars unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

l. Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Trade and other receivables are included in the balance sheet under "Trade receivables, net" and "Prepayments, deposits and other current assets".

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probably that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement.

m. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition, less bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

n. Derivative financial instruments

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

The fair value of the liability portion of convertible notes is determined using a market interest rate for an equivalent non-convertible debt. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the debt. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholders' equity, net of income tax effects. The carrying amount of the financial liability is measured on the amortised cost basis using effective interest method minus principal repayments. The conversion option is an equity instrument that is recognised in the convertible notes reserve in equity until either the note is converted or redeemed. If the note is converted, the convertible notes reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible notes reserve is transferred directly to retained earnings.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

Rental guarantee contract of the Group is categorised as a financial liability at fair value through profit or loss at inception and is initially recognised at fair value on the date on which a contract is entered into and subsequently re-measured at its fair value at each balance sheet date. Changes in fair value of the rental guarantee contract are recognised in the income statement.

o. Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee contract issued by the Company or the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Company or the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 "Revenue".

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011 (Amount expressed in Hong Kong dollars unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

p. Trade and other payables

Trade and other payables are recognised initially at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

q. Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the amount required to settle the obligation. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of resources will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

r. Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised, being the proceeds net of transaction costs, and the redemption value being recognised in the income statement over the period of the borrowings, using the effective interest method.

s. Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

t. Income tax

Income tax for the year comprises current income tax and movements in deferred income tax assets and liabilities. Income tax is recognised in the income statement.

(i) Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(ii) Deferred income tax assets and liabilities arise from deductible and taxable temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases respectively. Deferred income tax assets also arise from unused tax losses and unused tax credits.

All deferred income tax liabilities are recognised while deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The amount of deferred income tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred income tax assets and liabilities are not discounted.

(iii) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011 (Amount expressed in Hong Kong dollars unless otherwise stated)

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

u. Employee benefits

(i) Salaries, annual bonuses, annual leave entitlements, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, provisions are made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

(ii) Defined contribution retirement schemes (including the Mandatory Provident Fund) are offered to employees of the Group. The schemes are operated by PCCW and the assets of such schemes are generally held in separate trustee-administered funds. The schemes are generally funded by payments from the relevant companies of the PCCW Group including the Group and, in some cases, employees themselves, taking into account of the recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution retirement schemes are recognised as expenses in the income statement in the period to which the contributions relate. Under the defined contribution retirement schemes, the employer is required to make contributions to the scheme at rates specified under the rules of the scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

(iii) The Group and PCCW operate share option schemes where employees (including directors) are granted options to acquire shares of the Company or PCCW at specified exercise prices. The fair value of the employee services received in exchange for the grant of the options is recognised as staff costs in the income statement with a corresponding increase in an employee share-based compensation reserve under equity. The fair value of the options granted is measured at grant date using the trinomial option pricing model, taking into account the terms and conditions upon which the options were granted, and spread over the respective vesting period during which the employees become unconditionally entitled to the options. At each balance sheet date, the Group revises its estimates of the number of share options that is expected to become vested. The impact of the revision of original estimates, if any, is recognised in the income statement with a corresponding adjustment to the employee share-based compensation reserve over the remaining vesting period. On vesting date, the amount recognised as staff costs is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the employee share-based compensation reserve). The equity amount is recognised in the employee share-based compensation reserve until either the share options are exercised (when it is transferred to the share premium account) or the share options expire (when it is released directly to retained earnings). When the share options are exercised, the proceeds received, net of any directly attributable transaction cost, are credited to share capital (nominal value) and share premium.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES – CONTINUED

v. Foreign currency translation

Companies comprising the Group maintain their books and records in the primary currencies of their operations (the "functional currencies"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currencies transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Balance sheet items of foreign operations, including goodwill arising on consolidation of foreign operations acquired, are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in the currency translation reserve under equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to currency translation reserve under equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in the currency translation reserve under equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

w. Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

x. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the consolidated financial statements and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011 (Amount expressed in Hong Kong dollars unless otherwise stated)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(i) Sales recognition on properties sold

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

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

The judgement as to when risks and rewards of ownership of properties are transferred would affect the Group's profit for the year and the carrying value of properties held for sale.

(ii) Purchase price allocation

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

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

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

The estimated cost of developing the Cyberport project, including construction costs and the amounts paid and payable to the HKSAR Government, is allocated to the cost of properties sold on a systematic basis over the life of the project using a relative value approach. This approach considers the value of development costs attributable to phases for which revenue has been recognised to date relative to the total expected value of development costs for the development as a whole. The revision of estimates of these relative values during 2011 has resulted in the costs of properties sold recorded in the year ended December 31, 2011 being decreased by HK$151 million.

(ii) Estimated valuation of investment properties

The best evidence of fair value is current prices in an active market for similar leases and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair values estimates. In making its estimates, the Group considers both (i) information from the valuations of investment properties performed by external professional valuers by using the market value approach and (ii) other principal assumptions, including the receipt of contractual rentals, expected future market rentals in view of the current usage and condition of the investment properties, supported by the terms of any existing leases and other contracts, and discount rates to determine the fair value of the investment properties. Had the Group used different future market rentals, discount rates and other assumptions, the fair value of the investment properties would be different and thus caused impact to the consolidated income statement. As at December 31, 2011, the fair value of the investment properties was HK$5,469 million.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011 (Amount expressed in Hong Kong dollars unless otherwise stated)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

(iii) Derivative financial instruments

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

(iv) Deferred income tax

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. In assessing the amount of deferred income tax assets that need to be recognised, the Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Group's estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current tax regulations are enacted that would impact the timing or extent of the Group's ability to utilise the tax benefits of net operating loss carried forward in the future, adjustments to the recorded amount of net deferred income tax assets and income tax would be made. As at December 31, 2011, the deferred income tax assets netted off against the deferred income tax liabilities recognised in the consolidated balance sheet was HK$20 million (notes 29(a)).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS – CONTINUED

(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.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011 (Amount expressed in Hong Kong dollars unless otherwise stated)

4. TURNOVER

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

	The Group	
HK$ million	**2011**	2010
Property development	**1,710**	1,100
Property investment	**262**	216
Other businesses	**154**	179
	2,126	1,495

5. SEGMENT INFORMATION

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

a. Business segments

	Property development in Hong Kong		Property investment in mainland China		Other businesses (note i)		Elimination		Consolidated	
HK$ million	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Revenue from external customers	**1,710**	1,100	**260**	215	**156**	180	**—**	—	**2,126**	1,495
Inter-segment revenue	**—**	—	**—**	—	**10**	4	**(10)**	(4)	**—**	—
Reportable segment revenue	**1,710**	1,100	**260**	215	**166**	184	**(10)**	(4)	**2,126**	1,495
Interest income	**2**	2	**11**	6	**—**	—	**—**	—	**13**	8
Unallocated interest income									**15**	8
Consolidated interest income									**28**	16
Finance costs	**—**	—	**1**	1	**—**	—	**—**	—	**1**	1
Unallocated finance costs									**162**	173
Consolidated finance costs									**163**	174
Depreciation	**1**	1	**20**	16	**19**	16	**—**	—	**40**	33
Unallocated depreciation									**9**	9
Consolidated depreciation									**49**	42

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2011 (Amount expressed in Hong Kong dollars unless otherwise stated)

5. SEGMENT INFORMATION – CONTINUED

a. Business segments – Continued

	Property development in Hong Kong		Property investment in mainland China		Other businesses (note i)		Elimination		Consolidated	
HK$ million	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Provision for/(Reversal of) impairment losses	**—**	(33)	**1**	1	**—**	1	**—**	—	**1**	(31)
Profit/(loss) before taxation	**440**	440	**179**	1,247	**(41)**	(51)	**—**	—	**578**	1,636
Unallocated corporate expenses									**(385)**	(385)
Consolidated profit before taxation									**193**	1,251
Income tax	**72**	70	**45**	315	**8**	(3)	**—**	—	**125**	382
Unallocated income tax									**6**	5
Consolidated income tax									**131**	387
Addition to non-current segment assets during the year	**—**	—	**86**	34	**150**	58	**—**	—	**236**	92
Unallocated addition									**2**	13
Consolidated addition to non-current segment assets during the year									**238**	105
Segment assets	**1,794**	3,925	**6,169**	5,739	**1,522**	1,352	**—**	—	**9,485**	11,016
Unallocated corporate assets									**2,201**	1,628
Consolidated total assets									**11,686**	12,644
Segment liabilities	**1,087**	2,565	**749**	670	**68**	86	**—**	—	**1,904**	3,321
Unallocated corporate liabilities									**2,615**	2,458
Consolidated total liabilities									**4,519**	5,779

5. SEGMENT INFORMATION – CONTINUED

a. Business segments – Continued

(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.

b. Geographical information

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

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

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6. OTHER GAINS, NET

	The Group	
HK$ million	**2011**	2010
Gain on rental guarantee	**—**	2

7. FINANCE COSTS

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

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

8. PROFIT BEFORE TAXATION

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

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

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9. DIRECTORS' EMOLUMENTS

a. Cash and cash equivalents paid/payable by the Group during the year

	The Group				The Group			
	2011				2010			
HK$'000	Directors' fee	Salaries, allowances, other allowances and benefits in kind	Bonuses	Retirement scheme contributions	Directors' fee	Salaries, allowances, other allowances and benefits in kind	Bonuses	Retirement scheme contributions
Executive Directors								
Li Tzar Kai, Richard	—	—	—	—	—	—	—	—
Lee Chi Hong, Robert (note i)	—	7,800	16,665	819	—	6,500	—	871
Alexander Anthony Arena (notes ii, iii)	—	—	—	—	—	—	—	—
James Chan	—	3,401	2,500	357	—	3,326	1,811	349
Gan Kim See, Wendy	—	5,500	6,265	578	—	4,051	14,020	425
Lam Yu Yee	—	9,933	3,584	866	—	9,723	3,984	866
Independent Non-executive Directors								
Cheung Kin Piu, Valiant	210	—	—	—	200	—	—	—
Prof Wong Yue Chim, Richard, SBS, JP	210	—	—	—	200	—	—	—
Dr. Allan Zeman, GBM, GBS, JP	210	—	—	—	200	—	—	—
	630	26,634	29,014	2,620	600	23,600	19,815	2,511

i. Bonus payment was calculated in accordance with contractual term as stated in the employment contract. Offered to waive the basic salary and housing benefits of HK$1.83 million payable to him by a wholly-owned subsidiary in 2010.

ii. The remuneration of executive director employed by PCCW, the ultimate holding company of the Group, is borne by PCCW.

iii. Resigned as an executive director on November 29, 2011.

iv. The total directors' emoluments for the year ended December 31, 2011 were HK$59 million (2010: HK$47 million).

9. DIRECTORS' EMOLUMENTS – CONTINUED

b. Share-based compensation

For executive directors employed by PCCW, the values of their services under PCCW's share option scheme borne by PCCW, are excluded from the analysis below.

	The Group								
	2011								
	Grant date	Exercise price of share options	Number of share options/ shares outstanding at beginning of year	Number of share options granted/ (lapsed)	Number of share options exercised/ shares transferred	Number of share options/ shares outstanding at end of year	Number of share options vested	Share-based compensation charged to income statement (note ii)	Realised benefits (note i)
		HK$						HK$'000	HK$'000
Executive Directors									
Lee Chi Hong, Robert	July 25, 2003	4.35	5,000,000	—	—	5,000,000	5,000,000	—	—
James Chan	July 25, 2003	4.35	210,000	—	—	210,000	210,000	—	—
Gan Kim See, Wendy	July 25, 2003	4.35	240,000	—	—	240,000	240,000	—	—
								—	—

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9. DIRECTORS' EMOLUMENTS – CONTINUED

b. Share-based compensation – Continued

The Group 2010

	Grant date	Exercise price of share options	Number of share options/ shares outstanding at beginning of year	Number of share options granted/ (lapsed)	Number of share options exercised/ shares transferred	Number of share options/ shares outstanding at end of year	Number of share options vested	Share-based compensation charged to income statement (note ii)	Realised benefits (note i)
		HK$						HK$'000	HK$'000
Executive Directors									
Lee Chi Hong, Robert	July 25, 2003	4.35	5,000,000	—	—	5,000,000	5,000,000	—	—
James Chan	July 25, 2003	4.35	210,000	—	—	210,000	210,000	—	—
Gan Kim See, Wendy	July 25, 2003	4.35	240,000	—	—	240,000	240,000	—	—
								—	—

i. Realised benefits

No director exercised share options in 2011 and 2010. The realised benefits represent the market value of the relevant shares at the date of transfer.

ii. Share-based compensation charged to income statement

Share-based compensation is a trinomial option pricing model calculation of the fair value of share options at the date of grant. Share-based compensation is amortised in the income statement over the vesting period of the related share options. These values do not represent realisable gains which are affected by a combination of a number of factors, including, performance of PCCW's share price, vesting period and timing of exercise. The details of these share options are disclosed in note 26.

10. FIVE TOP-PAID EMPLOYEES

a. Of the five highest paid individuals in the Group, four (2010: four) are directors whose emoluments are set out in note 9. Details of the emoluments of the remaining highest paid individual (2010: one) are as follows:

	The Group	
HK$ million	**2011**	2010
Salaries and other short-term employee benefits	**4**	3
Bonuses	**—**	6
	4	9

b. The emoluments of the remaining individual (2010: one) are within the emolument ranges as set out below:

	The Group Number of individuals	
	2011	2010
HK$4,000,001 – HK$4,500,000	**1**	—
HK$9,500,001 – HK$10,000,000	**—**	1
	1	1

The employees, whose emoluments are disclosed above, include senior executives who were also directors of the subsidiaries during the year. One director offered to waive the basic salary and housing benefits of HK$1.83 million payable to him by a wholly-owned subsidiary in 2010.

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11. INCOME TAX

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

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

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

Reconciliation between income tax and the Group's accounting profit at applicable tax rates is set out below:

	The Group	
HK$ million	**2011**	2010
Profit before taxation	**193**	1,251
Notional tax on profit before taxation, calculated at 16.5 per cent (2010: 16.5 per cent)	**32**	206
Effect of different tax rates of subsidiaries operating outside Hong Kong	**19**	115
Tax effect of income not subject to taxation	**(3)**	(2)
Tax effect of expenses not deductible for taxation purposes	**79**	62
Tax losses for which no deferred income tax asset was recognised	**11**	18
Utilisation of previously unrecognised tax losses	**(11)**	—
Over provision in respect of prior years	**(7)**	(24)
Others	**11**	12
Income tax	**131**	387

12. DIVIDEND

HK$ million	2011	2010
Final dividend	—	—

There was no final dividend paid for 2011 and 2010.

13. EARNINGS PER SHARE

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

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

	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share	2,407,459,873	2,407,459,873
Effect of dilutive potential ordinary shares on conversion of convertible notes and employee share options	672,222,222	672,222,222
Weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share	3,079,682,095	3,079,682,095

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

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14. INVESTMENT PROPERTIES

	The Group	
HK$ million	**2011**	2010
Balance at January 1,	**5,152**	3,866
Capitalised subsequent expenditures	**35**	—
Surplus on revaluation of investment properties	**43**	1,150
Exchange differences	**239**	136
Balance at December 31,	**5,469**	5,152

Investment property in mainland China was revalued as at December 31, 2011 by an independent professional valuer on a market value basis. Certain furnished equipment and furniture amounted to HK$70 million (2010: HK$55 million) included in the valuation of the investment property is recognised separately as property, plant and equipment.

For the investment property in Hong Kong, the usage of this property is constrained by the Group's undertaking to the lessee. With reference to the valuation performed by an independent professional valuer as at December 31, 2011, management has performed a valuation as at December 31, 2011 using the discounted cashflow projection assuming such constraint and current tenancy agreement will continue in its existing manner in the foreseeable future.

The increase in fair value of the investment properties in 2011 amounted to HK$43 million (2010: increase by HK$1,150 million) was credited to the consolidated income statement as "Surplus on revaluation of investment properties".

In the consolidated income statement, cost of sales includes direct operating expenses of HK$20 million (2010: HK$24 million) that generate rental income while direct operating expenses of HK$5 million (2010: HK$11 million) relating to investment properties that were unlet.

The carrying amount of investment properties is analysed as follows:

	The Group	
HK$ million	**2011**	2010
Held in Hong Kong		
On long lease (over 50 years)	**45**	27
Held in mainland China		
On long lease (over 50 years)	**981**	912
On medium-term lease (10-50 years)	**4,443**	4,213
	5,469	5,152

15. PROPERTY, PLANT AND EQUIPMENT

	The Group				
HK$ million	Freehold land	Buildings and structures	Other plant and equipment	Projects under constructions	Total
At January 1, 2010					
At cost	4	56	241	—	301
Less: Accumulated depreciation	—	(4)	(116)	—	(120)
Net book value	4	52	125	—	181
Net book value at January 1, 2010	4	52	125	—	181
Additions	2	7	48	8	65
Disposals	—	(1)	—	—	(1)
Depreciation	—	(3)	(39)	—	(42)
Exchange differences	1	7	4	—	12
Net book value at December 31, 2010	7	62	138	8	215
At December 31, 2010					
At cost	7	69	296	8	380
Less: Accumulated depreciation	—	(7)	(158)	—	(165)
Net book value	7	62	138	8	215
Net book value at January 1, 2011	**7**	**62**	**138**	**8**	**215**
Additions	**—**	**52**	**51**	**—**	**103**
Transfers	**—**	**—**	**2**	**(2)**	**—**
Disposals	**—**	**—**	**(1)**	**—**	**(1)**
Depreciation	**—**	**(4)**	**(45)**	**—**	**(49)**
Exchange differences	**—**	**6**	**7**	**—**	**13**
Net book value at December 31, 2011	**7**	**116**	**152**	**6**	**281**
At December 31, 2011					
At cost	**7**	**128**	**300**	**6**	**441**
Less: Accumulated depreciation	**—**	**(12)**	**(148)**	**—**	**(160)**
Net book value	**7**	**116**	**152**	**6**	**281**

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16. PROPERTIES UNDER DEVELOPMENT/HELD FOR DEVELOPMENT/HELD FOR SALE

a. Properties under development

	The Group	
HK$ million	**2011**	2010
Properties under development	**508**	428

Properties under development as at December 31, 2011 represents freehold land in Japan which is held by an indirectly wholly-owned subsidiary.

b. Properties held for development

	The Group	
HK$ million	**2011**	2010
Balance at January 1,	**624**	548
Additions	**22**	16
Exchange differences	**(28)**	60
Balance at December 31,	**618**	624

Properties held for development as at December 31, 2011 represents freehold land in Thailand, for which the Group intends for future development projects. The land in Thailand is held by the Group through a long-term operating lease agreement with the legal owners, 39 per cent owned entities, established to hold the land, whose financial statements have been consolidated into these financial statements (note 20).

c. Properties held for sale

	The Group	
HK$ million	**2011**	2010
Properties held for sale	**456**	773

16. PROPERTIES UNDER DEVELOPMENT/HELD FOR DEVELOPMENT/HELD FOR SALE – CONTINUED

c. Properties held for sale – Continued

Pursuant to the Cyberport Project Agreement, the Group was granted an exclusive right and obligation to design, develop, construct and market the Cyberport project at Telegraph Bay on the Hong Kong Island. The Cyberport project consists of commercial and residential portions. The completed commercial portion was transferred to the HKSAR Government at no consideration. The associated costs incurred have formed part of the development costs of the residential portion. The construction of residential portion of the Cyberport project was completed in November 2008.

17. INTANGIBLE ASSET

	The Group	
HK$ million	**2011**	2010
Costs:		
Balance at January 1,	**—**	—
Additions	**14**	—
Balance at December 31,	**14**	—
Accumulated amortisation:		
Balance at January 1, and December 31,	**—**	—
Carrying amount:		
Balance at December 31,	**14**	—

Intangible asset as at December 31, 2011 represents the right for rental collection.

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18. GOODWILL

	The Group	
HK$ million	**2011**	2010
Costs:		
Balance at January 1,	**100**	99
Exchange differences	**—**	1
Balance at December 31,	**100**	100
Accumulated impairment losses:		
Balance at January 1, and December 31,	**(96)**	(96)
Carrying amount:		
Balance at December 31,	**4**	4

Goodwill is allocated to the Group's cash-generating unit identified as follows:

	The Group	
HK$ million	**2011**	2010
Other business – property management operations	**4**	4
Balance at December 31,	**4**	4

Management has performed assessments on the recoverable amount of the property management operations which are determined based on the cash flow forecast of the business. Management considered there is no impairment of goodwill in relation to the property management operations as at December 31, 2011.

The impairment losses recognised in prior year related to the property development division and ski operation.

19. INVESTMENT IN SUBSIDIARIES

	The Company	
HK$ million	**2011**	2010
Unlisted shares, at cost	**2,870**	2,870

Dividends from the mainland China entities accounted for as subsidiaries will be declared based on the profits in the statutory financial statements of these mainland China entities which are prepared using accounting principles generally accepted in the People's Republic of China. Such profits are different from the amounts reported under HKFRS.

As at December 31, 2011, the Group has financed the operations of certain of its entities in mainland China amounting to approximately US$110 million (2010: US$111 million) which have not been registered with the State Administration of Foreign Exchange. As a result, remittances in foreign currency of these amounts outside mainland China may be restricted.

The balances with subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment. The amounts due from subsidiaries as at December 31, 2011 were HK$7,102 million (2010: HK$6,773 million) and the amount due to a subsidiary as at December 31, 2011 was HK$3,172 million (2010: HK$3,174 million).

NOTES TO THE FINANCIAL STATEMENTS

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20. PRINCIPAL SUBSIDIARIES AND ENTITIES CONSOLIDATED INTO THE FINANCIAL STATEMENTS

Company name	Place of incorporation/ operations	Principal activities	Nominal value of issued capital/ registered capital	Equity interest attributable to the Company	
				Directly	Indirectly
Beijing Jing Wei House and Land Estate Development Co., Ltd. 北京京威房地產開發有限公司[1]	The People's Republic of China	Property development	US$100,000,000	—	100%
Beijing Jingwei Property Management Co., Ltd. 北京京威物業管理有限公司[1]	The People's Republic of China	Property management	US$410,000	—	100%
北京裕澤諮詢服務有限公司[1]	The People's Republic of China	Consulting and property management	US$100,000	—	100%
Carlyle International Limited	Hong Kong	Entrustment work	HK$2	—	100%
Cyber-Port Limited	Hong Kong	Property development	HK$2	—	100%
Cyber-Port Management Limited	Hong Kong	Provision of project management services	HK$2	—	100%
Dong Si (Holdings) Limited	Hong Kong	Financing and leasing	HK$1	—	100%
Harmony TMK	Japan	Property development	JPY4,250,000,000 (JPY100,000,000 specified capital and JPY4,150,000,000 preference shares)	—	100%
Ipswich Holdings Limited	British Virgin Islands	Investment holding	US$2	100%	—
Island South Property Management Limited	Hong Kong	Property management	HK$2	—	100%

20. PRINCIPAL SUBSIDIARIES AND ENTITIES CONSOLIDATED INTO THE FINANCIAL STATEMENTS – CONTINUED

Company name	Place of incorporation/ operations	Principal activities	Nominal value of issued capital/ registered capital	Equity interest attributable to the Company	
				Directly	Indirectly
Kabushiki Kaisha Niseko Management Service	Japan	Property management and travel agency services	JPY10,000,000	—	100%
Madeline Investments Limited 盈科大衍地產發展有限公司	Hong Kong	Trademark registrant	HK$2	—	100%
Nihon Harmony Resorts KK	Japan	Ski operation	JPY405,000,000	—	100%
Partner Link Investments Limited	British Virgin Islands/ Hong Kong	Investment holding	US$1	—	100%
PCPD Facilities Management Limited	Hong Kong	Property management	HK$2	—	100%
PCPD Real Estate Agency Limited	Hong Kong	Property sales agency	HK$2	—	100%
PCPD Services Limited	Hong Kong	Provision of administrative services	HK$2	—	100%
PCPD Wealth Limited	Hong Kong	Investment holding	HK$1	—	100%
Pride Pacific Limited	Hong Kong	Financing	HK$2	—	100%
Talent Master Investments Limited	British Virgin Islands/ Hong Kong	Property development	US$1	—	100%
Phang-nga Leisure Limited	Thailand	Property holding	THB2,000,000	—	39%
Phang-nga Paradise Limited	Thailand	Property holding	THB2,000,000	—	39%

Note:

1 Represents a wholly foreign owned enterprise.

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21. CURRENT ASSETS AND LIABILITIES

a. Sales proceeds held in stakeholders' accounts

The balance represents proceeds from the sales of properties of the Group's property development projects that are retained in bank accounts opened and maintained by stakeholders. For the amounts related to residential portion of Cyberport project, they will be transferred to specific bank accounts, which are restricted in use, pursuant to certain conditions and procedures as stated in the Cyberport Project Agreement. The sales proceeds held in stakeholders' accounts of HK$632 million as at December 31, 2011 (2010: HK$845 million) are exposed to credit risk.

b. Restricted cash

Pursuant to the Cyberport Project Agreement, the Group has a restricted cash balance of approximately HK$696 million as at December 31, 2011 (2010: HK$2,245 million) held in specific bank accounts. The uses of the funds are specified in the Cyberport Project Agreement.

The remaining balance of HK$7 million (2010: HK$4 million) represents amount held on behalf of properties owners whose properties are managed by the Group. The uses of the funds are specified in the agreements between the owners and the Group.

21. CURRENT ASSETS AND LIABILITIES – CONTINUED

c. Trade receivables, net

	The Group	
HK$ million	**2011**	2010
Trade receivables	**14**	11
Less: Provision for impairment	**(2)**	(1)
Trade receivables, net	**12**	10

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

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	The Group	
HK$ million	**2011**	2010
Renminbi	**7**	1
Hong Kong dollar	**2**	4
Japanese yen	**3**	5
	12	10

(i) Aging analysis of trade receivables

	The Group	
HK$ million	**2011**	2010
Current	**8**	10
One to three months	**3**	—
More than three months	**3**	1
	14	11

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DECEMBER 31, 2011 (Amount expressed in Hong Kong dollars unless otherwise stated)

21. CURRENT ASSETS AND LIABILITIES – CONTINUED

c. Trade receivables, net – Continued

(ii) Provision for receivable impairment

The movement in the provision for receivable impairment during the year, including specific and collective loss components, is as follows:

	The Group	
HK$ million	**2011**	2010
Balance at January 1,	**1**	33
Impairment losses recognised/(reversed)	**1**	(32)
Balance at December 31,	**2**	1

(iii) Trade receivables of HK$14 million (2010: HK$11 million) are exposed to credit risk. Trade receivable of HK$2 million was impaired (2010: HK$1 million) and the amount of provision was HK$2 million as at December 31, 2011 (2010: HK$1 million). The other amounts in trade receivables balance relate to a wide range of customers for whom there is no recent history of default.

As at December 31, 2011, HK$1 million trade receivable was past due over three months but not impaired (2010: Nil). Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

d. Short-term borrowings

	The Group	
HK$ million	**2011**	2010
Bank borrowings – Secured	**9**	—

On September 22, 2009, an indirect wholly-owned subsidiary of the Company entered into the RMB Facility Agreement (the "RMB Facility") which the lender would make available a term loan facility up to the aggregate amount of RMB10 million. Any loan made under the RMB Facility must be repaid on or before September 24, 2012. The RMB Facility is secured by the assets owned by the indirect wholly-owned subsidiary. On December 10, 2009, the indirect wholly-owned subsidiary made a drawdown of RMB10 million under the RMB Facility. On August 3, 2011, a supplemental agreement was entered with the lender which the loan will be repaid in four equal instalments on December 12, 2011, March 12, 2012, June 12, 2012 and September 24, 2012. On December 12, 2011, RMB 2.5 million was repaid.

21. CURRENT ASSETS AND LIABILITIES – CONTINUED

d. Short-term borrowings – Continued

On September 22, 2009, an indirect wholly-owned subsidiary of the Company was granted a three-year revolving loan facility up to an aggregate amount of HK$2,800 million (the “HKD Facility”). Such facility is secured by the shares and assets of certain indirect wholly-owned subsidiaries. In case the RMB Facility is in default, the lenders under the HKD Facility could demand for immediate repayment of principal and interest accrued under the HKD Facility. No drawdown under this revolving loan facility was made by the Group as at December 31, 2011.

The HKD Facility is subjected to the fulfilment of covenants relating to certain balance sheet ratios of the Group, as are commonly found in lending arrangements with financial institutions. If the covenants were breached, the drawn down facilities would have become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group’s management of liquidity risk are set out in note 35(c). As at December 31, 2011, none of the covenants were breached.

e. Trade payables

An aging analysis of trade payables is set out below:

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

f. Accruals, other payables and deferred income

Accruals, other payables and deferred income represents accrual for construction costs and operating costs, retention payables, tenants deposits and deferred income.

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22. LONG-TERM BORROWINGS

	The Group	
HK$ million	**2011**	2010
Repayable within a period		
– not exceeding one year	**24**	24
– over one year, but not exceeding two years	**—**	12
– over two years, but not exceeding five years	**2,505**	2,362
	2,529	2,398
Representing:		
HK$2,420 million tranche B convertible note due 2014 (note a)	**2,529**	2,386
Bank borrowings (note 21(d))	**—**	12
	2,529	2,398
Secured	**—**	12
Unsecured	**2,529**	2,386

a. The tranche B convertible note due 2014 with a principal amount of HK$2,420 million or any part that may, at the discretion of PCCW or its designated subsidiary, the holder of the notes, be converted into 672,222,222 new shares of HK$0.10 of the Company each at a conversion price of HK$3.60 per share, subject to adjustment, issued to PCCW or its designated subsidiary at any time and from time to time on or after the date of issue (but on or prior to the maturity date of May 9, 2014) at the relevant conversion price.

The tranche B convertible note due 2014 may be redeemed at 120 per cent of the outstanding principal amount if conversion does not occur. The Company has granted rights to an indirect wholly-owned subsidiary, the issuer of the notes, to purchase 672,222,222 shares of the Company at HK$3.6 per share with expiry in 2014.

Interest expense on the tranche B convertible note due 2014 is calculated using the effective interest method by applying the effective interest rate of 6.87 per cent (2010: 6.87 per cent) to the liability component.

As at December 31, 2011, the convertible notes reserve amounted to HK$769 million (2010: HK$769 million).

23. AMOUNT PAYABLE TO THE HKSAR GOVERNMENT UNDER THE CYBERPORT PROJECT AGREEMENT

	The Group		
	2011		
HK$ million	Government share under the Cyberport Project Agreement (note a)	Others	Total
Balance at January 1, 2011	**1,574**	**32**	**1,606**
Addition to amount payable	**1,100**	**2**	**1,102**
Settlement during the year	**(2,105)**	**—**	**(2,105)**
Balance at December 31, 2011	**569**	**34**	**603**

	The Group		
	2010		
HK$ million	Government share under the Cyberport Project Agreement (note a)	Others	Total
Balance at January 1, 2010	803	30	833
Addition to amount payable	771	2	773
Balance at December 31, 2010	1,574	32	1,606

a. Pursuant to the Cyberport Project Agreement (note 16(c)), the HKSAR Government shall be entitled to receive payments of approximately 65 per cent from the surplus cashflow arising from the sales of the residential portion of the Cyberport project, net of certain allowable costs incurred on the project, as stipulated under certain terms and conditions of the Cyberport Project Agreement. Amount payable to the HKSAR Government is considered as a part of the development costs for the Cyberport project. The amount payable to the HKSAR Government is based on estimated sales proceeds of the residential portion of the project and the estimated development costs of the Cyberport project. The estimated amount to be paid to the HKSAR Government during the forthcoming year is classified as current liabilities.

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24. ISSUED EQUITY

	The Group	
	Number of shares	**Issued equity HK$ million**
	(note a)	**(note a)**
Ordinary shares of HK$0.10 each at January 1, 2010, December 31, 2010, December 31, 2011	**2,407,459,873**	**4,321**

a. Due to the use of reverse acquisition basis of accounting (as stated in note 2(d) to the 2004 Financial Statements), the amount of issued equity, which includes share capital and share premium in the consolidated balance sheet, represents the amount of issued equity of the legal subsidiary, Ipswich Holdings Limited, at date of completion of the reverse acquisition plus equity changes attributable to the Group after the reverse acquisition. The equity structure (i.e. the number and type of shares) reflects the equity structure of the legal parent, Pacific Century Premium Developments Limited, for all accounting periods presented.

b. The following is the movement in the share capital of the Company:

	The Company	
	Number of shares	**Nominal value HK$ million**
Authorised:		
Ordinary shares of HK$0.10 each at January 1, 2010, December 31, 2010 and December 31, 2011	**10,000,000,000**	**1,000**
Issued and fully paid:		
Ordinary shares of HK$0.10 each at January 1, 2010, December 31, 2010 and December 31, 2011	**2,407,459,873**	**241**

25. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement schemes

Employees of the Group are entitled to join the defined contribution retirement schemes operated by PCCW, including the Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The schemes are administered by independent trustees.

Under the defined contribution retirement scheme, the employer is required to make contributions to the scheme at rates specified under the rules of the scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5 per cent of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately upon the completion of the service in the relevant service period.

26. EQUITY COMPENSATION BENEFITS

Share option scheme

In order to align the terms of the share option scheme of the Company with those of PCCW and in view of the limited number of shares capable of being issued relative to the current capital base of the Company, under the 2003 share option scheme, which was approved and adopted on March 17, 2003 and was valid for ten years after the date of adoption, the shareholders of the Company approved the termination of the 2003 share option scheme and adoption of a new share option scheme (the "2005 Scheme") at the Company's annual general meeting held on May 13, 2005. The 2005 Scheme became effective on May 23, 2005 following its approval by the shareholders of PCCW. No further share options will be granted under the 2003 share option scheme following its termination, but the provisions of such scheme will remain in full force and effect with respect to the options granted (note (ii) below) prior to its termination.

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26. EQUITY COMPENSATION BENEFITS – CONTINUED

Share option scheme – Continued

Under the 2005 Scheme, the board of directors of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares in the Company subject to the terms and conditions stipulated in the 2005 Scheme. The exercise price of the options under the 2005 Scheme is determined by the board of directors of the Company in its absolute discretion but in any event shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange for the five days last preceding the date of grant on which days it has been possible to trade shares on the Stock Exchange; and (iii) the nominal value of the share of the Company on the date of grant. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2005 Scheme and any other share option schemes of the Company must not exceed 30 per cent of the shares in issue from time to time. In addition, the maximum number of shares in respect of which options may be granted under the 2005 Scheme shall not (when aggregated with any shares subject to any grants made after May 23, 2005 pursuant to any other share option schemes of the Company) exceed 10 per cent of the issued share capital of the Company on May 23, 2005 (or some other date if renewal of this limit is approved by shareholders).

Details of share options granted by the Company pursuant to the 2003 share option scheme and the share options outstanding at December 31, 2011, are as follows:

(i) Movements in share options

	Number of options	
	2011	2010
Balance at January 1, and December 31,	**5,000,000**	5,000,000
Options vested at December 31,	**5,000,000**	5,000,000

26. EQUITY COMPENSATION BENEFITS – CONTINUED

Share option scheme – Continued

(ii) Details of share options outstanding as at December 31,

Date of grant	Exercise period	Exercise price HK$	2011 Consideration received HK$	2011 Number of options	2010 Consideration received HK$	2010 Number of options
December 20, 2004	December 20, 2004 to December 19, 2014	2.375	**1**	**5,000,000**	1	5,000,000
			1	**5,000,000**	1	5,000,000

During the years ended December 31, 2011 and December 31, 2010, no share options were granted under the 2005 Scheme or 2003 share option scheme. All of the share options granted related to 2003 share option scheme remained unexpired as at December 31, 2011.

(iii) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2011 Average exercise price in HK$ per share	2011 Number of options	2010 Average exercise price in HK$ per share	2010 Number of options
Balance at January 1, and December 31,	**2.375**	**5,000,000**	2.375	5,000,000

All the share options outstanding at the end of the year will expire on December 19, 2014.

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26. EQUITY COMPENSATION BENEFITS – CONTINUED

Share option scheme – Continued

The fair value of the share options granted in December 2004 under 2003 share option scheme determined using the trinomial option pricing model was HK$12.9 million using share price of HK$2.325, exercise price of HK$2.375, risk-free interest rate of 3.95 per cent, volatility of 0.50 with expected life for ten years and no expected dividend per share. As the share options were vested before January 1, 2005, no expenses were charged to the current and prior years' consolidated income statements as allowed by the transitional provision of HKFRS 2 "Share-based Payment".

27. RESERVES

	The Company					
	2011					
HK$ million	**Share premium**	**Capital redemption reserve**	**Other reserve**	**Employee share-based compensation reserve**	**Retained earnings**	**Total**
Balance at January 1, 2011	**3,882**	**1**	**769**	**17**	**1,558**	**6,227**
Total comprehensive income for the year	—	—	—	—	**332**	**332**
Balance at December 31, 2011	**3,882**	**1**	**769**	**17**	**1,890**	**6,559**

	The Company					
	2010					
HK$ million	Share premium	Capital redemption reserve	Other reserve	Employee share-based compensation reserve	Retained earnings	Total
Balance at January 1, 2010	3,882	1	769	17	4,740	9,409
Total comprehensive loss for the year	—	—	—	—	(4)	(4)
Special dividend	—	—	—	—	(3,178)	(3,178)
Balance at December 31, 2010	3,882	1	769	17	1,558	6,227

28. EMPLOYEE SHARE-BASED COMPENSATION RESERVE

	The Group	
HK$ million	**2011**	2010
At January 1, and December 31,	**17**	17

The share options are granted to the directors and employees of the Group to subscribe for shares in PCCW or the Company in accordance with the terms and conditions of the share option scheme (note 2(u)(iii)).

29. DEFERRED INCOME TAX

a. The components of deferred income tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group			
HK$ million	Accelerated tax depreciation	Revaluation of properties	Others	Total
At January 1, 2010	291	(6)	(19)	266
Charged/(Credited) to consolidated income statement	29	288	(1)	316
Exchange differences	10	—	(1)	9
At December 31, 2010	330	282	(21)	591
At January 1, 2011	**330**	**282**	**(21)**	**591**
Charged to consolidated income statement	**31**	**9**	**9**	**49**
Exchange differences	**16**	**13**	**—**	**29**
At December 31, 2011	**377**	**304**	**(12)**	**669**

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29. DEFERRED INCOME TAX – CONTINUED

	The Group	
HK$ million	2011	2010
Deferred income tax liabilities recognised in the consolidated balance sheet	689	614
Less: Amount of deferred income tax assets netted off against deferred income tax liabilities recognised in the consolidated balance sheet	(20)	(23)
Balance at December 31,	669	591

b. The Group has unrecognised estimated tax losses of HK$344 million as at December 31, 2011 (2010: HK$373 million) to be carried forward for deduction against future taxable profits. HK$183 million (2010: HK$216 million) tax losses relating to subsidiaries operating outside Hong Kong would be expired within one to seven years from December 31, 2011, the remaining HK$161 million (2010: HK$157 million) tax losses are mainly relating to Hong Kong companies which can be carried forward indefinitely.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a. Reconciliation of profit before taxation to net cash generated from/(used in) operating activities

	The Group	
HK$ million	2011	2010
Profit before taxation	193	1,251
Adjustments for:		
Interest income	(28)	(16)
Finance costs	163	174
Depreciation	49	42
Provision for/(Reversal of) impairment losses	1	(31)
Surplus on revaluation of investment properties	(43)	(1,150)
Operating profit before changes in working capital	335	270

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT – CONTINUED

a. Reconciliation of profit before taxation to net cash generated from/(used in) operating activities – Continued

	The Group	
HK$ million	**2011**	2010
Decrease/(Increase) in operating assets:		
– properties under development/held for sale	**281**	(115)
– properties held for development	**(22)**	(16)
– other non-current receivables	**—**	1
– prepayments, deposits and other current assets	**(31)**	39
– sales proceeds held in stakeholders' accounts	**213**	426
– restricted cash	**1,546**	(1,300)
– trade receivables	**(3)**	194
– amounts due from fellow subsidiaries	**34**	(8)
– amounts due from related companies	**—**	(1)
Increase/(Decrease) in operating liabilities:		
– trade payables, accruals, other payables and deferred income	**(404)**	(287)
– deposits received on sales of properties	**(1)**	(19)
– amounts due to fellow subsidiaries	**—**	(2)
– amount payable to the HKSAR Government under the Cyberport Project Agreement	**(1,003)**	773
Cash generated from/(used in) operations	**945**	(45)
Interest paid	**(24)**	(25)
Interest received	**34**	12
Tax paid		
– in Hong Kong	**(137)**	(45)
– outside Hong Kong	**(14)**	(6)
Net cash generated from/(used in) operating activities	**804**	(109)

NOTES TO THE FINANCIAL STATEMENTS

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30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT – CONTINUED

b. Analysis of cash and cash equivalents

	The Group	
HK$ million	**2011**	2010
Cash and bank balances	**3,558**	4,428
Less: Restricted cash	**(703)**	(2,249)
Cash and cash equivalents at December 31,	**2,855**	2,179

31. COMMITMENTS

a. Capital

	The Group	
HK$ million	**2011**	2010
Authorised and contracted for	**117**	76
Authorised but not contracted for	**10**	1
	127	77

An analysis of the above capital commitments by nature is as follows:

	The Group	
HK$ million	**2011**	2010
Property development for projects	**86**	67
Investment properties	**40**	7
Property, plant and equipment	**—**	2
Others	**1**	1
	127	77

31. COMMITMENTS – CONTINUED

b. Operating leases

(i) As at December 31, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

Land and buildings (as lessee)

	The Group	
HK$ million	**2011**	2010
Within 1 year	**47**	30
After 1 year but within 5 years	**72**	9
After 5 years	**6**	—
	125	39

The leases typically run for an initial period of one to six years. One of the leases includes contingent rental with reference to the turnover of the lessee's operations.

Equipment (as lessee)

	The Group	
HK$ million	**2011**	2010
Within 1 year	**5**	6
After 1 year but within 5 years	**1**	2
	6	8

The leases typically run for an initial period of one to eight years. None of these leases include contingent rentals.

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31. COMMITMENTS – CONTINUED

b. Operating leases – Continued

(ii) The Group leases out properties under operating leases. The leases typically run for an initial period of one to fifteen years. Five of the leases include contingent rental with reference to the turnover of the lessees' operations. As at December 31, the total future minimum lease receivables under non-cancellable operating leases are as follows:

Land and buildings (as lessor)

	The Group	
HK$ million	**2011**	2010
Within 1 year	**179**	220
After 1 year but within 5 years	**305**	324
After 5 years	**70**	70
	554	614

32. CONTINGENT LIABILITIES

Save as disclosed elsewhere in the consolidated financial statements, contingent liabilities and the guarantees provided by the Group and the Company are set out as follows:

(i) The Company has provided a guarantee to the noteholder of the convertible notes (tranche B note due 2014) in respect of the performance of its indirect wholly-owned subsidiary's obligation under the convertible notes (tranche B note due 2014) including the due and punctual payment of all sums under the convertible notes and the issuances of 672,222,222 shares of the Company at HK$3.6 per share upon conversion of the convertible notes by the noteholder (note 22(a)). Such guarantee has no impact to the Group's consolidated financial statements.

(ii) On September 22, 2009, the Company and an indirect wholly-owned subsidiary had executed guarantees in favour of the lenders of a revolving loan facility, the HKD Facility, in the principal amount of HK$2,800 million granted to an indirect wholly-owned subsidiary. As at December 31, 2011, there was no drawdown under the HKD Facility (note 21(d)).

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

33. BANKING FACILITY

Aggregate banking facilities as at December 31, 2011 were HK$2,809 million (2010: HK$2,812 million) of which the unused facilities amounted to HK$2,800 million (2010: HK$2,800 million). Summary of major borrowings is set out in note 21(d) and note 22.

Security pledged for certain banking facilities includes:

	The Group	
HK$ million	**2011**	2010
Investment properties	**5,424**	5,125

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34. MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by PCCW which owns 61.53 per cent (2010: 61.53 per cent) of the Company's shares. The remaining 38.47 per cent (2010: 38.47 per cent) of the shares are held by public and by a substantial shareholder.

In addition to the transactions and balances disclosed elsewhere in these financial statements, the following transactions were carried out with related parties:

a. During the year, the Group had the following significant transactions with related companies:

	The Group	
HK$ million	**2011**	2010
Sales of services:		
– Fellow subsidiaries		
Facility management services	**—**	44
Office leases rental	**10**	7
Other services	**1**	—
– Related companies		
Facility management services	**22**	22
Office leases rental	**1**	2
Other services	**3**	—
Purchases of services:		
– Fellow subsidiaries		
Corporate services	**5**	6
Office sub-leases	**6**	7
Information technology and other logistic services	**5**	12
– Related companies		
Other services	**—**	3

The above transactions were carried out after negotiations between the Group and the related parties in the ordinary course of business. In respect of transactions for which the price or volume has not yet been agreed with the relevant related parties, the directors have determined the relevant amounts based on their best estimation.

34. MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

b. Details of key management compensation

	The Group	
HK$ million	**2011**	2010
Salaries and other short-term employee benefits	**26**	23
Bonuses	**29**	20
Directors' fee	**1**	1
Post-employment benefits	**3**	3
	59	47

The remuneration of executive director employed by PCCW, the ultimate holding company of the Group, is borne by PCCW.

c. Year-end balances arising from sales/purchases of services and loan interest

	The Group	
HK$ million	**2011**	2010
Receivables from related parties:		
– Fellow subsidiaries	**16**	50
– Related companies	**3**	3
	19	53
Payables to related parties:		
– Fellow subsidiaries	**4**	4

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34. MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

d. Loan from a fellow subsidiary

The loan from a fellow subsidiary represents the face value of the convertible notes (tranche B note due 2014) with principal value of HK$2,420 million (see note 22(a) for details). The movements of the face value of the loan from a fellow subsidiary during the year are as follows:

	The Group	
HK$ million	**2011**	2010
Balance at January 1,	**2,742**	2,693
Interest expenses	**24**	24
Interest paid	**(24)**	(24)
Provision for redemption premium	**48**	49
Balance at December 31,	**2,790**	2,742

35. FINANCIAL RISK MANAGEMENT

The Group's investment policy is to prudently invest all surplus funds managed by the Group in a manner which will satisfy liquidity requirements, safeguard financial assets and manage risks while optimising return on investments.

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's performance.

Risk management is carried out by a central treasury department ("Group Treasury") under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's business units. The Board provides principal policies for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

35. FINANCIAL RISK MANAGEMENT – CONTINUED

a. Foreign exchange risk

The Group operates in the Asia-Pacific region and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The risk management policy is to have the liquid assets mainly denominated in Hong Kong dollars, US dollars and Renminbi. As US dollar is pegged to Hong Kong dollar, the Group does not expect any significant movements in the US dollar/Hong Kong dollar exchange rate. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

At the reporting date, the balance sheet exposure to foreign currency risk that was significant to the Group is as follows:

	The Group			
	2011		2010	
HK$ million	**US dollar**	**Japanese yen**	US dollar	Japanese yen
Cash and cash equivalents	**906**	**28**	1,187	2

The Group has certain investments in foreign operations, where the net assets are exposed to foreign currency translation risk. The Group's currency exposure with respect to these operations is mainly from Renminbi, Thai baht and Japanese yen.

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35. FINANCIAL RISK MANAGEMENT – CONTINUED

a. Foreign exchange risk – Continued

Sensitivity analysis for foreign currency exposure

A 5 per cent appreciation of Hong Kong dollar against the following currencies at December 31, 2011 would have decreased in profit after tax and equity by the amounts shown below. This represents the translation of financial assets and liabilities at the balance sheet date. It assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	The Group			
	2011		2010	
HK$ million	**Decrease in profit after tax**	**Decrease in other comprehensive income for currency translation**	Decrease in profit after tax	Decrease in other comprehensive income for currency translation
US dollar	**(45)**	**—**	(59)	—
Renminbi	**—**	**(273)**	—	(212)
Thai baht	**—**	**(31)**	—	(31)
Japanese yen	**(1)**	**(36)**	—	(28)

The Company is not exposed to foreign exchange risk.

35. FINANCIAL RISK MANAGEMENT – CONTINUED

b. Credit risk

The Group is exposed to credit risk, which is the risk that a counterparty will be unable to pay outstanding amounts in full when due. The Group has policies in place to ensure that the pre-sale of the properties and the sale of completed properties are both binding and enforceable. For the property investment and other business segments, the Group obtained rental deposits from the tenants while for other businesses, certain customers are fellow subsidiaries and related parties which the credit risk is relatively low and other individual customers are with good repayment history. For the property pre-sale, there is a certain degree of concentrations of credit risk but the Group, through the binding and enforceable pre-sale contracts, manages the concentrated credit risk.

As at December 31, 2011, the Group has a certain concentration of credit risk as 42 per cent (2010: 51 per cent) of the total trade receivables was due from three customers.

The credit quality of cash and cash equivalents and restricted cash balances can be assessed by reference to Moody's ratings (if available) as follows:

Cash and cash equivalents

	The Group	
HK$ million	**2011**	2010
Aa1	**50**	90
Aa2	—	274
Aa3	**2,141**	540
A1	**339**	573
A2	**210**	576
Baa1	**6**	13
Baa2	**89**	84
Unrated	**20**	29
Balance as at December 31,	**2,855**	2,179

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35. FINANCIAL RISK MANAGEMENT – CONTINUED

b. Credit risk – Continued

Restricted cash

	The Group	
HK$ million	**2011**	2010
Aaa	**696**	2,245
Unrated	**7**	4
Balance as at December 31,	**703**	2,249

c. Liquidity risk

Due to the dynamic nature of the Group's underlying businesses, prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet operational needs and possible investment opportunities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

35. FINANCIAL RISK MANAGEMENT – CONTINUED

c. Liquidity risk – Continued

	The Group					
HK$ million	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying Amount
At December 31, 2011						
Short-term borrowings	**9**	—	—	—	**9**	**9**
Trade payables	**45**	—	—	—	**45**	**45**
Accruals and other payables	**556**	—	—	—	**556**	**556**
Amounts due to fellow subsidiaries	**4**	—	—	—	**4**	**4**
Amount payable to the HKSAR Government under the Cyberport Project Agreement	**603**	—	—	—	**603**	**603**
Long-term borrowings	**24**	**24**	**2,913**	—	**2,961**	**2,529**
At December 31, 2010						
Trade payables	31	—	—	—	31	31
Accruals and other payables	957	—	—	—	957	957
Amounts due to fellow subsidiaries	4	—	—	—	4	4
Amount payable to the HKSAR Government under the Cyberport Project Agreement	1,606	—	—	—	1,606	1,606
Long-term borrowings	24	36	2,937	—	2,997	2,398

d. Interest rate risks

Apart from the cash and cash equivalents which are for working capital, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises primarily from long-term borrowings. Borrowings at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

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35. FINANCIAL RISK MANAGEMENT – CONTINUED

d. Interest rate risks – Continued

The following table details the interest rate profile of the Group's borrowings at the balance sheet date.

	The Group			
	2011		2010	
	Effective interest rate	**HK$ million**	Effective interest rate	HK$ million
Fixed rate borrowings:				
Loan from a fellow subsidiary (note 34(d))	**6.87%**	**2,790**	6.87%	2,742
Variable rate borrowings:				
Bank borrowings (note 21(d))	**5.99%**	**9**	5.48%	12
Total borrowings		**2,799**		2,754

The contractual repricing date of the variable rate borrowings as at December 31, 2011 is three months.

As the balance of the variable rate borrowings is not significant, the effect on change in interest rate to the Group is minimal.

36. CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as the loan from a fellow subsidiary and bank loan less cash and cash equivalents. Adjusted capital comprises the issued equity and retained earnings.

36. CAPITAL MANAGEMENT – CONTINUED

The debt-to-adjusted capital ratio decreased from 10 per cent as at December 31, 2010 to a net cash position as at December 31, 2011. Management's strategy is to maintain the debt-to-adjusted capital ratio within 20 per cent. The debt-to-adjusted capital ratios at both December 31, 2011 and 2010 were as follows:

	The Group	
HK$ million	**2011**	2010
Loan from a fellow subsidiary (note 34(d))	**2,790**	2,742
Bank loan	**9**	12
Less: Cash and cash equivalents (note 30(b))	**(2,855)**	(2,179)
Net (cash)/debt	**(56)**	575
Issued equity	**4,321**	4,321
Add: Retained earnings	**1,354**	1,292
Adjusted capital	**5,675**	5,613
Debt-to-adjusted capital ratio	**N/A**	10%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except for the financial covenant requirements under the loan facilities agreements with external parties.

37. POST BALANCE SHEET EVENT

On January 31, 2012, the Board announced that there will be certain capital reorganisation proposals of the Company involving a conditional cash offer on behalf of the Company to repurchase the shares of the Company; arrangements to enable the Company to fulfil the minimum public float requirement under the Rules Governing the Listing of Securities on The Stock Exchange following closing of the offer; and the issue of a new convertible note upon the maturity of the convertible note in the principal amount of HK$2,420 million issued by the Company and due in 2014. Up to the date of issuing the financial statements, details of the capital reorganisation proposals have not yet been made public.

FIVE YEAR FINANCIAL SUMMARY

Results

HK$ million	2011	2010	2009	2008	2007
TURNOVER BY PRINCIPAL ACTIVITY					
Property development	**1,710**	1,100	3,855	9,557	2,800
Property investment	**262**	216	214	230	235
Other businesses	**154**	179	153	156	99
	2,126	1,495	4,222	9,943	3,134
Operating profit	**328**	1,409	966	693	728
(Finance costs)/Interest income, net	**(135)**	(158)	(144)	(52)	142
Profit before taxation	**193**	1,251	822	641	870
Income tax	**(131)**	(387)	(228)	(128)	(86)
Profit attributable to equity holders of the Company	**62**	864	594	513	784

Assets and Liabilities, as at December 31,

HK$ million	2011	2010	2009	2008	2007
Total non-current assets	**6,897**	6,426	4,973	5,613	5,953
Total current assets	**4,789**	6,218	8,776	13,825	14,406
Total current liabilities	**(1,345)**	(2,814)	(2,331)	(7,428)	(8,592)
Net current assets	**3,444**	3,404	6,445	6,397	5,814
Total assets less current liabilities	**10,341**	9,830	11,418	12,010	11,767
Total non-current liabilities	**(3,174)**	(2,965)	(2,507)	(3,573)	(4,143)
Net assets	**7,167**	6,865	8,911	8,437	7,624

SCHEDULE OF PRINCIPAL PROPERTIES

	Address	Intended use	Stage of completion	Expected date of completion	Gross site area (sq.m.)	Gross floor area (sq.m.)
1	**Major properties under development**					
	328-1 Aza Iwaobetsu, Kutchan-cho, Abuta-gun, Hokkaido, Japan	Commercial and residential	Design phase	N/A	788,510	619,705

	Address	Gross site area (sq.m.)	Category of the lease*
2	**Major properties held for development**		
	Moo 3 & 9, Thai Muang Subdistrict, Thai Muang District Phang-nga, 82120 Thailand	1,721,018	Long

	Address	Gross site areas (sq.m.)	Gross floor areas (sq.m.)	Use	Category of the lease*	Percentage held by the Group
3	**Major properties held for investment**					
	The People's Republic of China					
	Pacific Century Place					
	No.2A Gong Ti Bei Lu, Chaoyang District, Beijing, the People's Republic of China	27,028				
	Tower A		41,717	Office	Medium	100%
	Tower B		20,104	Office	Medium	100%
	Tower C		21,718	Residential	Long	100%
	Tower D		10,946	Residential	Long	100%
	Podium		75,431	Shopping centre	Medium	100%
	Car park space		861 spaces	Car park	Medium	100%

* Lease term:
Long term: Lease not less than 50 years
Medium term: Lease less than 50 years but not less than 10 years

INVESTOR RELATIONS

LISTING

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited and the stock code is 00432.

Any enquiries regarding the Company should be addressed to Investor Relations at the address provided on this page.

BOARD OF DIRECTORS

Executive Directors

Li Tzar Kai, Richard *(Chairman)*
Lee Chi Hong, Robert
(Chief Executive Officer and Deputy Chairman)
Lam Yu Yee
(Deputy Chief Executive Officer and Chief Financial Officer)
James Chan
Gan Kim See, Wendy

Independent Non-Executive Directors

Cheung Kin Piu, Valiant
Prof Wong Yue Chim, Richard, SBS, JP
Dr Allan Zeman, GBM, GBS, JP

COMPANY SECRETARY

Cheng Wan Seung, Ella

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