Pacific Century
Premium Developments
盈科大衍地產發展

PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED

盈科大衍地產發展有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 432)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2007

The board of directors (the "Board") of Pacific Century Premium Developments Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended December 31, 2007, together with comparative figures for the previous year.

- Consolidated turnover down 57 per cent to HK$3,134 million
- Profit attributable to equity holders of the Company down 19 per cent to HK$784 million
- Basic earnings per share 32.59 Hong Kong cents
- The Board does not recommend the payment of a final dividend

Profit for the year

The Group's audited profit attributable to equity holders of the Company for 2007 amounted to HK$784 million. Basic earnings per share were 32.59 Hong Kong cents.

BUSINESS REVIEW

Property development

Revenue from the property development for 2007 amounted to approximately HK$2,800 million, compared with approximately HK$6,953 million for the previous year.

In June and December 2007, the seventh and eighth batch of net surplus proceeds from the Cyberport project, totalling HK$5,173 million, was allocated between the Government of the Hong Kong Special Administrative Region ("HKSAR") and the Group. The HKSAR Government received an aggregate amount of approximately HK$3,339 million, in accordance with the Cyberport Project Agreement, while the Group retained approximately HK$1,834 million.

The Group's redevelopment project, named ONE Pacific Heights and located in Wo Fung Street to the west of Central, will comprise 155 luxury boutique apartments, with completion scheduled for 2009.

Meanwhile in mainland China, progress has been made on the Group's prestigious residential project at No.4 Gong Ti Bei Lu in Beijing's Chaoyang District. With approximately 180 upmarket units planned, the project is planned for completion in 2010.

Property investment

Covering a gross floor area of more than 169,900 square metres, the Group's investment property, Pacific Century Place, is currently home to many multinational corporations, world-class retailers and residential tenants. Pacific Century Place enjoyed an average occupancy rate of 89 per cent for the year ended December 31, 2007.

The Group's gross rental income for 2007 amounted to approximately HK$235 million, compared with approximately HK$228 million for 2006.

Other businesses

Other businesses within the Group include the property management division, which provides property and facilities management, corporate services and asset management services, and ski operation. Revenue from other businesses for 2007 amounted to approximately HK$99 million, compared with approximately HK$82 million for the previous year.

CONSOLIDATED INCOME STATEMENT

	Note(s)	For the year ended December 31, 2007 HK$ million	2006 HK$ million
Turnover	3, 4	**3,134**	7,263
Cost of sales		**(2,031)**	(6,075)
Gross profit		**1,103**	1,188
General and administrative expenses		**(356)**	(308)
Other income		**21**	57
Other losses		**(54)**	(25)
Interest income		**275**	376
Surplus on revaluation of investment properties		**14**	2
Finance costs	5	**(133)**	(130)
Profit before taxation	6	**870**	1,160
Income tax	7	**(86)**	(195)
Profit attributable to equity holders of the Company		**784**	965
Dividends			
Interim dividend	8	**36**	36
Final dividend proposed after the balance sheet date	8	**—**	132
Earnings per share (expressed in Hong Kong cents per share)			
Basic	9	**32.59 cents**	40.16 cents
Diluted	9	**29.78 cents**	35.47 cents
Dividends per share (expressed in Hong Kong cents per share)	8	**1.50 cents**	7.00 cents

CONSOLIDATED BALANCE SHEET

	Note	**December 31, 2007** *HK$ million*	December 31, 2006 *HK$ million*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**4,153**	3,861
Property, plant and equipment		**60**	43
Properties under development		**795**	1,979
Properties held for development		**816**	—
Interest in leasehold land		**—**	502
Goodwill		**93**	81
Other receivables		**26**	15
Deferred income tax assets		**10**	1
		5,953	6,482
Current assets			
Properties under development/held for sale		**9,133**	1,521
Sales proceeds held in stakeholders' accounts		**2,425**	3,472
Restricted cash		**575**	826
Trade receivables, net	10	**332**	438
Prepayments, deposits and other current assets		**63**	55
Amounts due from fellow subsidiaries		**10**	5
Amounts due from related companies		**3**	5
Short-term deposits		**106**	173
Cash and cash equivalents		**1,759**	2,445
		14,406	8,940

	Note	**December 31, 2007**	December 31, 2006
		HK$ million	*HK$ million*
Current liabilities			
Current portion of long-term borrowings		**24**	24
Trade payables	11	**114**	93
Accruals, other payables and deferred income		**1,272**	1,451
Derivative financial instrument		**7**	—
Deposits received on sales of properties		**1,944**	98
Gross amounts due to customers for contract works		**7**	7
Amounts due to fellow subsidiaries		**15**	17
Amount due to ultimate holding company		**—**	1,195
Amount payable to the Government of the HKSAR under the Cyberport Project Agreement		**5,178**	1,914
Current income tax liabilities		**31**	79
		8,592	4,878
Net current assets		**5,814**	4,062
Total assets less current liabilities		**11,767**	10,544
Non-current liabilities			
Long-term borrowings		**1,989**	1,880
Amount payable to the Government of the HKSAR under the Cyberport Project Agreement		**1,741**	1,591
Deferred income tax liabilities		**326**	375
Other long-term liabilities		**87**	15
		4,143	3,861
Net assets		**7,624**	6,683
REPRESENTING:			
Issued equity		**4,321**	4,309
Reserves		**3,303**	2,374
		7,624	6,683

Notes:

1. Statement of Compliance

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

2. Basis of Preparation

The consolidated financial statements for the year ended December 31, 2007 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

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

Standards, amendments and interpretations effective from January 1, 2007

HKFRS 7 and HKAS 1 Amendment – Financial Instruments: Disclosures and Presentation of Financial Statements – Capital Disclosures

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, Financial instruments: Disclosure and presentation.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

Standards, amendments and interpretations effective from January 1, 2007 adopted by the Group but have no significant impact on the Group's financial statements

HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The following standards and interpretations to existing standards have been published but are not yet effective for the year ended December 31, 2007 and which the Group has not early adopted:

HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions (effective for annual periods beginning on or after March 1, 2007)
HK(IFRIC)-Int 12	Service Concession Arrangements (effective for annual periods beginning on or after January 1, 2008)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after July 1, 2008)
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2008)

HKFRS 8	Operating Segments (effective for annual periods beginning on or after January 1, 2009)
HKAS 23 (Revised)	Borrowing Costs (effective for annual periods beginning on or after January 1, 2009)
HKAS 1 (Revised)	Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2009)

The Group has already commenced an assessment of the impact of these new HKFRS but is not yet in a position to state whether these new HKFRS would have a significant impact on its results of operations and financial position.

3. Turnover

Turnover comprises revenues recognised in respect of the following businesses:

	For the year ended December 31,	
	2007	2006
	HK$ million	*HK$ million*
Property development	**2,800**	6,953
Property investment	**235**	228
Other businesses	**99**	82
	3,134	7,263

4. Segment Information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more consistent with the Group's internal financial reporting.

a. Business segments

The Group comprises the following main business segments:

- — Property development includes property development projects in the Asia-Pacific region.
- — Property investment is the investment in properties in Hong Kong and Beijing.
- — Other businesses include property management division providing services of property management, facilities management, corporate services and asset management, and ski operation.

	Property development		Property investment		Other businesses		Elimination		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
REVENUE										
External revenue	**2,800**	6,953	**235**	228	**99**	82	**—**	—	**3,134**	7,263
Inter-segment revenue	**—**	—	**—**	—	**91**	36	**(91)**	(36)	**—**	—
Total revenue	**2,800**	6,953	**235**	228	**190**	118	**(91)**	(36)	**3,134**	7,263
RESULT										
Segment results	**642**	822	**157**	143	**—**	2	**—**	—	**799**	967
Unallocated corporate expenses									**(71)**	(53)
Interest income									**275**	376
Finance costs									**(133)**	(130)
Profit before taxation									**870**	1,160
Income tax									**(86)**	(195)
Profit attributable to equity holders of the Company									**784**	965
OTHER INFORMATION										
Capital expenditure incurred during the year	**—**	12	**16**	134	**6**	1	**—**	—	**22**	147
Depreciation and amortisation	**8**	6	**10**	10	**4**	4	**—**	—	**22**	20
Surplus on revaluation of investment properties credited to the consolidated income statement	**—**	—	**14**	2	**—**	—	**—**	—	**14**	2
Impairment loss recognised in the consolidated income statement	**—**	—	**—**	—	**11**	25	**—**	—	**11**	25
Value of employee services under employee share option scheme	**—**	—	**—**	—	**—**	2	**—**	—	**—**	2

	Property development		Property investment		Other businesses		Elimination		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
ASSETS										
Segment assets	**14,273**	8,801	**4,487**	4,014	**81**	39	**—**	—	**18,841**	12,854
Unallocated corporate assets									**1,518**	2,568
Consolidated total assets									**20,359**	15,422
LIABILITIES										
Segment liabilities	**10,187**	6,286	**384**	431	**56**	36	**—**	—	**10,627**	6,753
Unallocated corporate liabilities									**2,108**	1,986
Consolidated total liabilities									**12,735**	8,739

b. Geographical segments

The Group’s businesses are managed and operated in the Asia-Pacific region. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of operations. Segment assets and capital expenditure are based on the geographical location of the assets.

	Revenue from external customers		Segment assets		Capital expenditure incurred during the year	
	2007	2006	**2007**	2006	**2007**	2006
	HK$ million	*HK$ million*	***HK$ million***	*HK$ million*	***HK$ million***	*HK$ million*
Hong Kong	**2,894**	7,038	**14,311**	10,890	**5**	13
Mainland China	**232**	225	**5,085**	4,532	**14**	134
Japan	**8**	—	**317**	—	**3**	—
Thailand	**—**	—	**646**	—	**—**	—
	3,134	7,263	**20,359**	15,422	**22**	147

5. Finance Costs

	For the year ended December 31,	
	2007	2006
	HK$ million	*HK$ million*
Interest expenses:		
Convertible notes wholly repayable after 5 years	**133**	125
Other finance costs	**—**	5
	133	130

6. Profit Before Taxation

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

	For the year ended December 31,	
	2007	2006
	HK$ million	*HK$ million*
Crediting:		
Gross rental income from investment properties	**235**	228
Other rental income	**3**	3
Less: outgoings	**(18)**	(16)
Surplus on revaluation of investment properties	**14**	2
Charging:		
Cost of properties sold	**1,932**	5,987
Depreciation, included in:		
- cost of sales	**—**	1
- general and administrative expenses	**15**	14
Amortisation of leasehold land	**7**	5
Staff costs, included in:		
- cost of sales	**70**	68
- general and administrative expenses	**119**	91
Contributions to defined contribution retirement scheme, included in:		
- cost of sales	**4**	4
- general and administrative expenses	**2**	5
Auditors' remuneration	**2**	2
Operating lease rental		
- land and buildings	**4**	4
- equipment	**3**	3
Value of employee services under employee share option scheme	**—**	2
Net foreign exchange loss	**4**	3

7. Income Tax

Hong Kong profits tax has been provided at the rate of 17.5 per cent (2006: 17.5 per cent) on the estimated assessable profits for the year.

Taxation for overseas subsidiaries has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdiction.

	For the year ended December 31,	
	2007	2006
	HK$ million	*HK$ million*
Hong Kong profits tax		
- Provision for current year	**125**	146
- Under/(Over) provision in respect of prior years	**1**	(1)
Mainland China income tax		
- Provision for current year	**39**	4
- Under provision in respect of prior years	**2**	1
Deferred taxation relating to the origination and reversal of temporary differences (note a)	**(81)**	45
	86	195

a. On March 16, 2007, the National People's Congress approved the Corporate Income Tax Law of The People's Republic of China (the "new CIT Law"). The new CIT Law reduces the corporate income tax rate applicable to the Group's operations in mainland China from 33 per cent to 25 per cent with effect from January 1, 2008. Accordingly, the deferred income tax liabilities for the Group's operations in mainland China as at December 31, 2007 is provided at the rate of 25 per cent on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases. The effect on the change in corporate income tax rate applicable to the Group's operations in mainland China was recognised in the consolidated income statement for the current year.

8. Dividends

	For the year ended December 31,	
	2007	2006
	HK$ million	*HK$ million*
Interim dividend of 1.5 Hong Kong cents per ordinary share (2006: 1.5 Hong Kong cents per ordinary share) paid	**36**	36
Final dividend proposed after the balance sheet date (2006: 5.5 Hong Kong cents per ordinary share)	**—**	132
	36	168

The final dividend proposed after the balance sheet date for 2006 has not been recognised as a liability as at the balance sheet date.

9. Earnings Per Share

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

	For the year ended December 31,	
	2007	2006
	HK$ million	*HK$ million*
Earnings for the purpose of calculating the basic earnings per share	**784**	965
Finance costs on convertible notes	**133**	125
Earnings for the purpose of calculating the diluted earnings per share	**917**	1,090

	2007	2006
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share	**2,405,596,859**	2,402,459,873
Effect of dilutive potential ordinary shares on conversion of convertible notes and employee share option	**672,414,919**	672,222,222
Weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share	**3,078,011,778**	3,074,682,095

10. Trade Receivables, Net

An aging analysis of trade receivables is set out below:

	December 31, 2007	December 31, 2006
	HK$ million	*HK$ million*
Current	**330**	418
One to three months	**1**	—
More than three months	**1**	20
	332	438

The normal credit period granted by the Group ranges up to 30 days from the date of the invoice unless there is separate mutual agreement on extension of the credit period.

11. Trade Payables

An aging analysis of trade payables is set out below:

	December 31, 2007	December 31, 2006
	HK$ million	*HK$ million*
Current	**111**	80
One to three months	**3**	5
More than three months	**—**	8
	114	93

12. Critical Accounting Estimates and Judgements

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

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

(i) Sales recognition on properties sold

The Group has made judgement on when significant risks and reward of ownership of properties are transferred to purchasers. When significant risks and reward of ownership of properties are transferred to purchasers, the Group recognised revenue in respect of the properties sold. The judgement on the date of transfer of risks and reward of ownership of properties would affect the Group's profits for the year and the carrying value of properties under developments.

(ii) Purchase price allocation

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

b. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal 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 Government of the HKSAR under the Cyberport Project Agreement

Pursuant to the Cyberport Project Agreement, the Government of the HKSAR 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 Government of the HKSAR are part of the Group's costs of developing the Cyberport project.

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

The estimated cost of developing the Cyberport project, including construction costs and the amounts paid and payable to the Government of the HKSAR, is allocated to 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 2007 has resulted in the costs of properties sold recorded in the year ended December 31, 2007 being reduced by HK$388 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 open market value approach and (ii) other principal assumptions including the receipt of contractual rentals, expected future market rentals 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, 2007, the fair value of the investment properties was HK$4,153 million.

(iii) Estimated provision for rental guarantee

The rental guarantee in relation to PCCW Tower is accounted for as a financial liability at fair value through profit or loss. 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. The Group's estimate of fair value is based on estimates of receipt of contractual rentals, future market rentals, occupancy rates, maintenance costs and appropriate discount rates. In making its judgement, management determines the fair value of the rental guarantee using discounted cash flow valuation techniques. Had the estimated future market rentals changed or a different discount rate been used, adjustments to the provision for rental guarantee would be made. As at December 31, 2007, the provision for rental guarantee was HK$9 million.

(iv) 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.

(v) Deferred taxation

While deferred tax liabilities are provided in full on all taxable temporary differences, deferred 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 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 tax assets and taxation expense would be made. As at December 31, 2007, the total deferred tax assets recognised was HK$32 million, with HK$22 million deferred tax assets netted off against the deferred tax liabilities recognised in the consolidated balance sheet.

FINANCIAL REVIEW

Review of results

The Group recorded a consolidated turnover of approximately HK$3,134 million for 2007, representing a decrease of 57 per cent compared with approximately HK$7,263 million for 2006. The decrease in turnover was mainly as a result of less revenue being recognised, as no major Bel-Air project completion occurred during the current year.

The Group's consolidated gross profit for 2007 was approximately HK$1,103 million, representing a decrease of 7 per cent from a gross profit of approximately HK$1,188 million for 2006. The decrease resulted from the decrease in turnover.

The Group recorded consolidated net profit of approximately HK$784 million for 2007, representing a decrease of 19 per cent compared with approximately HK$965 million for 2006. The decrease was attributable to a decrease in turnover and less interest income. Basic earnings per share during the year were 32.59 Hong Kong cents compared with 40.16 Hong Kong cents for 2006.

In accordance with applicable HKFRS issued by the HKICPA, revenue and profits from the sale of property development are recognised on completion of development and when significant risks and rewards of ownership have been transferred.

Current assets and liabilities

As at December 31, 2007, the Group held current assets of approximately HK$14,406 million (December 31, 2006: HK$8,940 million), mainly comprising properties under development/held for sale, cash and bank balances, sales proceeds held in stakeholders' accounts and restricted cash. The increase in current assets was attributable to an increase in properties under development/held for sale. Properties under development/held for sale in current assets were increased from approximately HK$1,521 million as at December 31, 2006 to approximately HK$9,133 million as at December 31, 2007. Cash and bank balances amounted to approximately HK$1,865 million as at December 31, 2007 (December 31, 2006: HK$2,618 million). Sales proceeds held in stakeholders' accounts were decreased by 30 per cent from HK$3,472 million as at December 31, 2006 to approximately HK$2,425 million as at December 31, 2007. Restricted cash decreased from HK$826 million as at December 31, 2006 to approximately HK$575 million as at December 31, 2007.

Total current liabilities as at December 31, 2007 amounted to approximately HK$8,592 million, compared with HK$4,878 million as at December 31, 2006.

Capital structure, liquidity and financial resources

As at December 31, 2007, total Group's borrowings amounted to approximately HK$2,596 million, representing a decrease of HK$1,147 million compared with total borrowings of HK$3,743 million as at December 31, 2006. As at December 31, 2007, all the Group's long-term borrowings were from PCCW group with the tranche B convertible note of HK$2,420 million carrying a fixed interest rate of 1 per cent per annum and becoming repayable at 120 per cent of the outstanding principal amount at maturity in 2014. Gearing ratio is not provided as all borrowings are from the Company's majority shareholder, PCCW Limited ("PCCW").

As at December 31, 2007, the Group held a banking facility of approximately HK$20 million for the purpose of providing a guarantee to the HKSAR Government in relation to the Cyberport project (December 31, 2006: HK$20 million).

The Group's business transactions, assets and liabilities were primarily denominated in Hong Kong dollars. Renminbi-denominated revenue represented approximately 7 per cent of the Group's total turnover, while PRC assets, Thailand assets and Japan assets represented approximately 25 per cent, 3 per cent and 2 per cent of the Group's total assets respectively.

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

Cash used for operating activities in 2007 was approximately HK$572 million, while cash used for operating activities in 2006 was approximately HK$435 million.

Income tax

Income tax for 2007 was approximately HK$86 million compared with approximately HK$195 million for 2006. The reduction of income tax is mainly due to the reversal of deferred income tax liabilities.

Contingent liabilities

As at December 31, 2007, the Group had an outstanding performance guarantee of approximately HK$1 million granted to the HKSAR Government for certain entrustment works in relation to the Cyberport project (December 31, 2006: HK$1 million).

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2007, the Group employed approximately 454 staff, most of whom were based in Hong Kong. The Group's remuneration policies, which are in line with prevailing industry practices, have been formulated on the basis of performance and experience and are reviewed regularly. Bonuses are paid on a discretionary basis, according to individual performance and the Group's performance. The Group also provides comprehensive benefits including medical insurance, choice of provident fund or mandatory provident fund and training programmes.

The Company's share option scheme adopted on March 17, 2003 was terminated on May 13, 2005 and replaced by a new share option scheme, which was approved by shareholders on the same date. The new share option scheme was adopted on May 23, 2005, following approval from PCCW's shareholders. The new share option scheme is valid and effective for a period of 10 years from the date of adoption.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended December 31, 2007 (2006: 5.5 Hong Kong cents per ordinary share).

An interim dividend of 1.5 Hong Kong cents (2006: 1.5 Hong Kong cents) per ordinary share, totalling approximately HK$36 million (2006: HK$36 million), was paid to shareholders of the Company on September 25, 2007.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from May 7, 2008 to May 13, 2008, 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 relevant share certificates, should be lodged with the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on May 6, 2008.

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.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended December 31, 2007.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions contained in the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the year ended December 31, 2007, except that the Chairman of the Board was unable to attend the Company's annual general meeting held on May 16, 2007 (which was required under the code provision E.1.2) as he had another engagement that was important to the Company's business.

OUTLOOK

The Hong Kong property market enjoyed significant growth in the last quarter of 2007, which was evidenced by a robust surge in transaction prices and volume of sales. Despite this positive backdrop, a volatile local stock market may give rise to uncertainty for Hong Kong's property market sector.

In addition, the deteriorating credit situation in the United States and Europe will continue to create economic ambiguity with potentially destabilising consequences for global capital flow. More aggressive austerity policies and a tightened credit environment in mainland China are expected in 2008. Nonetheless, the Group's long-term economic outlook remains cautiously optimistic.

Development plans for luxury resort complexes in Hokkaido, Japan and Thailand's Phang-nga represent long-term expansion prospects for the Company. In addition, our redevelopment project, named ONE Pacific Heights and located in Wo Fung Street to the west of Central, Hong Kong, is scheduled for completion in 2009.

On February 12, 2008, Picville Investments Limited (an indirect wholly-owned subsidiary of PCCW) requested the Board to put forward a proposal to shareholders of the Company other than those acting in concert with PCCW (the "Proposal") regarding a proposed privatisation of the Company by way of a scheme of arrangement under Section 99 of the Companies Act of Bermuda. It is intended that as a result of the Proposal becoming effective the Company will become an indirect wholly-owned subsidiary of PCCW and will apply to the Stock Exchange for the withdrawal of the listing of the Company's shares. Reasons for the Proposal, as stated in the announcement jointly issued by the Company and PCCW dated February 13, 2008, include:

- The Company's share price has underperformed both the Hang Seng Index and the Hang Seng Property Index since the transfer of the PCCW Group's Cyberport development rights and various property interests into the Company in 2004;

- The Company's shares have been trading at a significant discount to its net asset value; and

- Low trading liquidity and daily trading volume of the Company's shares.

Having reviewed the Proposal, the Board (other than the members of the independent board committee of the Company which has been established to advise the independent shareholders in connection with the Proposal) has agreed to put the Proposal forward to the relevant shareholders of the Company. The Proposal is conditional on certain conditions being fulfilled or waived on or before August 31, 2008 (or such date as Picville Investments Limited and the Company may agree and the Supreme Court of Bermuda may allow), otherwise it will lapse. It is anticipated that a scheme document containing further details of the Proposal and the scheme of arrangement will be despatched to the shareholders of the Company on or before March 31, 2008.

By Order of the Board
Pacific Century Premium Developments Limited
Chan Ya Lai, Alice
Company Secretary

Hong Kong, March 6, 2008

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

Executive Directors:
Li Tzar Kai, Richard (Chairman); Alexander Anthony Arena (Deputy Chairman);
Lee Chi Hong, Robert (Chief Executive Officer); Lam Yu Yee; James Chan and Gan Kim See, Wendy

Independent Non-Executive Directors:
Cheung Kin Piu, Valiant; Tsang Link Carl, Brian; Prof Wong Yue Chim, Richard, SBS, JP and Dr Allan Zeman, GBS, JP

** For identification only*