# PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED

# 盈科大衍地產發展有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00432)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2008

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, 2008, together with comparative figures for the previous year.

- Consolidated turnover up 217 per cent to HK$9,943 million
- Consolidated operating profit before deficit on revaluation of investment properties up 72 per cent to HK$1,227 million
- Profit attributable to equity holders of the Company down 35 per cent to HK$513 million
- Basic earnings per share 21.29 Hong Kong cents
- The Board did not recommend the payment of a final dividend

### Profit for the year

The Group's audited profit attributable to equity holders of the Company for 2008 amounted to HK$513 million. Basic earnings per share were 21.29 Hong Kong cents.

## BUSINESS REVIEW

### Property development

Revenue from the property development during the financial year ended December 31, 2008 amounted to approximately HK$9,557 million, compared with approximately HK$2,800 million for the previous year.

In June 2008, the ninth batch of net surplus proceeds from the Cyberport project, totalling HK$555 million, was allocated between the Government of the Hong Kong Special Administrative Region ("HKSAR") and the Group. An amount of approximately HK$358 million was paid to the HKSAR Government, in accordance with the Cyberport Project Agreement, while the Group retained approximately HK$197 million.

Subsequent to December 31, 2008, the tenth batch of net surplus proceeds from the Cyberport project, totalling HK$5,604 million, was allocated between HKSAR Government and the Group in February 2009. An amount of approximately HK$3,617 million was paid to the HKSAR Government, in accordance with the Cyberport Project Agreement, while the Group retained approximately HK$1,987 million.

Handover to purchasers of luxury residential units at Bel-Air No.8 began around mid-November 2008. The houses at Villa Bel-Air are expected to be released to the market gradually over the next two years.

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 around mid of 2009.

Meanwhile in mainland China, progress has been made on the Group's prestigious residential project at Lot No.4 Gong Ti Bei Lu in Beijing's Chaoyang District. With approximately 210 upmarket units planned, the project is scheduled for completion in 2010 and is expected to create synergies with the Group's adjacent property, Pacific Century Place.

### 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 78 per cent for the year ended December 31, 2008.

In 2008, the Group has disposed of two subsidiaries that hold two investment properties in Hong Kong to a wholly-owned subsidiary of PCCW Limited ("PCCW") at a total consideration of HK$51 million. The Group recorded a net gain of HK$4 million for the disposal.

The Group's gross rental income for 2008 amounted to approximately HK$230 million, compared with approximately HK$235 million for 2007.

### Other businesses

Other businesses of the Group include property and facilities management, corporate and asset management services, as well as ski operation. Revenue from other businesses for 2008 amounted to approximately HK$156 million, compared with approximately HK$99 million for the previous year.

## CONSOLIDATED INCOME STATEMENT

| | Note(s) | For the year ended December 31, 2008 HK$ million | 2007 HK$ million |
|---|---|---|---|
| **Turnover** | 3, 4 | **9,943** | 3,134 |
| Cost of sales | | **(8,181)** | (2,031) |
| Gross profit | | **1,762** | 1,103 |
| General and administrative expenses | | **(526)** | (356) |
| Other income | | **2** | 21 |
| Other losses, net | | **(11)** | (54) |
| **Operating profit before (deficit)/surplus on revaluation of investment properties** | | **1,227** | 714 |
| (Deficit)/Surplus on revaluation of investment properties | | **(534)** | 14 |
| | | **693** | 728 |
| Interest income | | **88** | 275 |
| Finance costs | 5 | **(140)** | (133) |
| **Profit before taxation** | 6 | **641** | 870 |
| Income tax | 7 | **(128)** | (86) |
| **Profit attributable to equity holders of the Company** | | **513** | 784 |
| **Dividends** | | | |
| Interim dividend | 8 | **—** | 36 |
| **Earnings per share** (expressed in Hong Kong cents per share) | | | |
| Basic | 9 | **21.29 cents** | 32.59 cents |
| Diluted | 9 | **21.21 cents** | 29.78 cents |
| **Dividends per share** (expressed in Hong Kong cents per share) | 8 | **—** | 1.50 cents |

## CONSOLIDATED BALANCE SHEET

| | Note | **December 31, 2008** *HK$ million* | December 31, 2007 *HK$ million* |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Investment properties | | **3,831** | 4,153 |
| Property, plant and equipment | | **173** | 60 |
| Properties under development | | **626** | 795 |
| Properties held for development | | **860** | 816 |
| Goodwill | | **96** | 93 |
| Other receivables | | **4** | 26 |
| Deferred income tax assets | | **23** | 10 |
| | | **5,613** | 5,953 |
| **Current assets** | | | |
| Properties under development/held for sale | | **2,402** | 9,133 |
| Sales proceeds held in stakeholders' accounts | | **6,994** | 2,425 |
| Restricted cash | | **720** | 575 |
| Trade receivables, net | 10 | **1,918** | 332 |
| Prepayments, deposits and other current assets | | **125** | 63 |
| Amounts due from fellow subsidiaries | | **10** | 10 |
| Amounts due from related companies | | **2** | 3 |
| Short-term deposits | | **—** | 106 |
| Cash and cash equivalents | | **1,654** | 1,759 |
| | | **13,825** | 14,406 |

| | Note | **December 31, 2008** *HK$ million* | December 31, 2007 *HK$ million* |
|---|---|---|---|
| **Current liabilities** | | | |
| Current portion of long-term borrowings | | **24** | 24 |
| Trade payables | 11 | **191** | 114 |
| Accruals, other payables and deferred income | | **1,600** | 1,272 |
| Derivative financial instrument | | **—** | 7 |
| Deposits received on sales of properties | | **469** | 1,944 |
| Gross amounts due to customers for contract works | | **5** | 7 |
| Amounts due to fellow subsidiaries | | **15** | 15 |
| Amount payable to the HKSAR Government under the Cyberport Project Agreement | | **4,981** | 5,178 |
| Current income tax liabilities | | **143** | 31 |
| | | **7,428** | 8,592 |
| **Net current assets** | | **6,397** | 5,814 |
| **Total assets less current liabilities** | | **12,010** | 11,767 |
| **Non-current liabilities** | | | |
| Long-term borrowings | | **2,105** | 1,989 |
| Amount payable to the HKSAR Government under the Cyberport Project Agreement | | **1,195** | 1,741 |
| Deferred income tax liabilities | | **240** | 326 |
| Other long-term liabilities | | **33** | 87 |
| | | **3,573** | 4,143 |
| **Net assets** | | **8,437** | 7,624 |
| **REPRESENTING:** | | | |
| Issued equity | | **4,321** | 4,321 |
| Reserves | | **4,116** | 3,303 |
| | | **8,437** | 7,624 |

**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, 2008 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 for the annual period beginning on January 1, 2008 adopted by the Group but have no significant impact on the Group's financial statements*

| | |
|---|---|
| Amendments to HKAS 39 and HKFRS 7 | Amendment on Reclassification of Financial Assets |
| HK(IFRIC)-Int 11 | HKFRS 2 - Group and Treasury Share Transactions |
| HK(IFRIC)-Int 12 | Service Concession Arrangements |
| HK(IFRIC)-Int 14 | HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |

*The following new standards, amendments and interpretations have been issued but are not yet effective for the year ended December 31, 2008 and which the Group has not early adopted:*

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements (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 27 (Revised) | Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 1, 2009) |
| HKAS 32 (Amendment) and HKAS 1 (Amendment) | Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after January 1, 2009) |
| Amendments to HKFRS 1 | First-time adoption of HKFRS and HKAS 27 - Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for annual periods beginning on or after January 1, 2009) |
| HKFRS 2 (Amendment) | Share-based Payment Vesting Conditions and Cancellations (effective for annual periods beginning on or after January 1, 2009) |
| HKFRS 3 (Revised) | Business Combination (effective for annual periods beginning on or after July 1, 2009) |
| HKFRS 8 | Operating Segments (effective for annual periods beginning on or after January 1, 2009) |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes (effective for annual periods beginning on or after July 1, 2008) |
| HK(IFRIC)-Int 15 | Agreements for the Construction of Real Estate (effective for annual periods beginning on or after January 1, 2009) |
| HK(IFRIC)-Int 16 | Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after October 1, 2008) |

| | |
|---|---|
| HK(IFRIC)-Int 17 | Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 1, 2009) |
| HK(IFRIC)-Int 18 | Transfer of Assets from Customers (effective for transfers of assets from customers received on or after July 1, 2009) |

Improvements to HKFRS – Amendments to:

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statement (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 2 | Inventories (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 7 | Cash Flow Statements (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 16 | Property, Plant and Equipment (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 19 | Employee Benefits (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 20 | Accounting for Government Grants and Disclosure of Government Assistance (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 27 | Consolidated and Separate Financial Statements (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 28 | Investments in Associates (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 29 | Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 31 | Interests in Joint Ventures (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 36 | Impairment of Assets (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 38 | Intangible Assets (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 39 | Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 40 | Investment Property (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 41 | Agriculture (effective for annual periods beginning on or after January 1, 2009) |
| HKFRS 5 | Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after July 1, 2009) |

Other minor amendments to:

| | |
|---|---|
| HKFRS 7 | Financial Instruments: Disclosures (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 10 | Events After the Balance Sheet Date (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 18 | Revenue (effective for annual periods beginning on or after January 1, 2009) |
| HKAS 34 | Interim Financial Reporting (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, 2008 *HK$ million* | 2007 *HK$ million* |
|---|---|---|
| Property development | **9,557** | 2,800 |
| Property investment | **230** | 235 |
| Other businesses | **156** | 99 |
| | **9,943** | 3,134 |

## 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 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | ***HK$ million*** | *HK$ million* | ***HK$ million*** | *HK$ million* | ***HK$ million*** | *HK$ million* | ***HK$ million*** | *HK$ million* | ***HK$ million*** | *HK$ million* |
| **REVENUE** | | | | | | | | | | |
| External revenue | **9,557** | 2,800 | **230** | 235 | **156** | 99 | **—** | — | **9,943** | 3,134 |
| Inter-segment revenue | **—** | — | **—** | — | **39** | 91 | **(39)** | (91) | **—** | — |
| Total revenue | **9,557** | 2,800 | **230** | 235 | **195** | 190 | **(39)** | (91) | **9,943** | 3,134 |
| **RESULT** | | | | | | | | | | |
| Segment results | **1,224** | 642 | **(368)** | 157 | **8** | — | **—** | — | **864** | 799 |
| Unallocated corporate expenses | | | | | | | | | **(171)** | (71) |
| Interest income | | | | | | | | | **88** | 275 |
| Finance costs | | | | | | | | | **(140)** | (133) |
| Profit before taxation | | | | | | | | | **641** | 870 |
| Income tax | | | | | | | | | **(128)** | (86) |
| Profit attributable to equity holders of the Company | | | | | | | | | **513** | 784 |

| | Property development | | Property investment | | Other businesses | | Elimination | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | ***HK$ million*** | *HK$ million* | ***HK$ million*** | *HK$ million* | ***HK$ million*** | *HK$ million* | ***HK$ million*** | *HK$ million* | ***HK$ million*** | *HK$ million* |
| **OTHER INFORMATION** | | | | | | | | | | |
| Capital expenditure incurred during the year | **45** | — | **12** | 16 | **74** | 6 | **—** | — | **131** | 22 |
| Depreciation and amortisation | **12** | 8 | **11** | 10 | **7** | 4 | **—** | — | **30** | 22 |
| (Deficit)/Surplus on revaluation of investment properties recognised in the consolidated income statement | **—** | — | **(534)** | 14 | **—** | — | **—** | — | **(534)** | 14 |
| Impairment losses recognised in the consolidated income statement | **33** | — | **—** | — | **10** | 11 | **—** | — | **43** | 11 |
| **ASSETS** | | | | | | | | | | |
| Segment assets | **13,731** | 14,273 | **4,216** | 4,487 | **164** | 81 | **—** | — | **18,111** | 18,841 |
| Unallocated corporate assets | | | | | | | | | **1,327** | 1,518 |
| Consolidated total assets | | | | | | | | | **19,438** | 20,359 |
| **LIABILITIES** | | | | | | | | | | |
| Segment liabilities | **8,433** | 10,187 | **286** | 384 | **66** | 56 | **—** | — | **8,785** | 10,627 |
| Unallocated corporate liabilities | | | | | | | | | **2,216** | 2,108 |
| Consolidated total liabilities | | | | | | | | | **11,001** | 12,735 |

**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 | |
|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | ***HK$ million*** | *HK$ million* | ***HK$ million*** | *HK$ million* | ***HK$ million*** | *HK$ million* |
| Hong Kong | **9,659** | 2,894 | **13,457** | 14,311 | **14** | 5 |
| Mainland China | **235** | 232 | **4,954** | 5,085 | **56** | 14 |
| Japan | **49** | 8 | **461** | 317 | **60** | 3 |
| Thailand | **—** | — | **566** | 646 | **1** | — |
| | **9,943** | 3,134 | **19,438** | 20,359 | **131** | 22 |

## 5. Finance Costs

| | For the year ended December 31, | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$ million*** | *HK$ million* |
| Interest expenses: | | |
| Convertible notes wholly repayable after 5 years | **140** | 133 |

## 6. Profit Before Taxation

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

| | For the year ended December 31, | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$ million*** | *HK$ million* |
| Crediting: | | |
| Gross rental income from investment properties | **230** | 235 |
| Other rental income | **6** | 3 |
| Less: outgoings | **(26)** | (18) |
| | | |
| Charging: | | |
| Cost of properties sold | **8,070** | 1,932 |
| Depreciation | **21** | 15 |
| Amortisation of leasehold land | **9** | 7 |
| Staff costs, included in: | | |
| - cost of sales | **52** | 70 |
| - general and administrative expenses | **146** | 119 |
| Contributions to defined contribution retirement scheme, included in: | | |
| - cost of sales | **3** | 4 |
| - general and administrative expenses | **7** | 2 |
| Auditors' remuneration | **3** | 2 |
| Operating lease rental of land and buildings, included in | | |
| - cost of sales | **3** | 2 |
| - general and administrative expenses | **11** | 4 |
| Operating lease rental of equipment | **1** | 3 |
| Deficit/(Surplus) on revaluation of investment properties | **534** | (14) |
| Provision for impairment of trade receivables | **33** | — |
| Net foreign exchange loss | **6** | 4 |

## 7. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2007: 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, | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$ million*** | *HK$ million* |
| Hong Kong profits tax | | |
| - Provision for current year | **222** | 125 |
| - (Over)/Under provision in respect of prior years | **(9)** | 1 |
| Overseas income tax | | |
| - Provision for current year | **30** | 39 |
| - Under provision in respect of prior years | **—** | 2 |
| Deferred income tax relating to the origination and reversal of temporary differences (note a) | **(115)** | (81) |
| | **128** | 86 |

a. On March 16, 2007, the National People's Congress approved the Enterprise Income Tax Law of The People's Republic of China (the "new EIT Law"). The new EIT 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 assets and liabilities for the Group's operations in mainland China were 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 year ended December 31, 2007.

## 8. Dividends

| | For the year ended December 31, | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$ million*** | *HK$ million* |
| Interim dividend paid (2007: 1.5 Hong Kong cents per ordinary share) | **—** | 36 |

## 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, | |
|---|---|---|
| | **2008** | 2007 |
| | ***HK$ million*** | *HK$ million* |
| Earnings for the purpose of calculating the basic earnings per share | **513** | 784 |
| Finance costs on convertible notes | **140** | 133 |
| Earnings for the purpose of calculating the diluted earnings per share | **653** | 917 |

| | **2008** | 2007 |
|---|---|---|
| | ***Number of shares*** | *Number of shares* |
| Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share | **2,407,459,873** | 2,405,596,859 |
| Effect of dilutive potential ordinary shares on conversion of convertible notes and employee share options | **672,479,242** | 672,414,919 |
| Weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share | **3,079,939,115** | 3,078,011,778 |

## 10. Trade Receivables, Net

An aging analysis of trade receivables is set out below:

| | **December 31, 2008** | December 31, 2007 |
|---|---|---|
| | ***HK$ million*** | *HK$ million* |
| Current | **1,742** | 330 |
| One to three months | **—** | 1 |
| More than three months | **209** | 1 |
| | **1,951** | 332 |
| Less: Provision for impairment | **(33)** | — |
| | **1,918** | 332 |

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.

## 11. Trade Payables

An aging analysis of trade payables is set out below:

| | **December 31, 2008** | December 31, 2007 |
|---|---|---|
| | ***HK$ million*** | *HK$ million* |
| Current | **191** | 111 |
| One to three months | **—** | 3 |
| | **191** | 114 |

## 12. Critical Accounting Estimates and Judgements

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

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

(i) Sales recognition on properties sold

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

Management made judgement on whether the economic benefits associated with the property sales transaction will flow to the Group. Likelihood of inflow of economic benefits to the Group is demonstrated by the purchaser's commitment to pay, which in turn is supported by substantial investment that gives the purchaser a stake in the property sufficient that the risk of loss through default motivates the purchaser to honour the obligation to the Group. Inflow of economic benefits associated with the property sales transaction is also assessed by considering location of the property and the prevailing market price of similar properties.

Management has also made judgement on when significant risks and rewards of ownership of properties are transferred to purchasers. Risk and rewards of ownership of properties are transferred to purchasers upon execution of legally binding unconditional sales contracts upon which the beneficial interest in the properties passes to the purchasers.

The judgement on the likelihood of inflow of economic benefits associated with the property sales transaction and the transfer of risks and rewards of ownership of properties would affect the Group's profits for the year and the carrying value of properties under developments/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 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 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 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 property 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 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 2008 has resulted in the costs of properties sold recorded in the year ended December 31, 2008 being increased by HK$38 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, 2008, the fair value of the investment properties was HK$3,831 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, 2008, the Group did not have any provision for rental guarantee.

(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 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 taxation expense would be made. As at December 31, 2008, the total deferred income tax assets recognised was HK$52 million, with HK$29 million deferred income tax assets netted off against the deferred income tax liabilities recognised in the consolidated balance sheet.

## FINANCIAL REVIEW

### Review of results

The Group recorded a consolidated turnover of approximately HK$9,943 million for 2008, representing an increase of 217 per cent compared with approximately HK$3,134 million for 2007. The increase in turnover was mainly the result of more revenue being recognised, as one major phase of Bel-Air project completed during the current year.

The Group's consolidated gross profit for 2008 was approximately HK$1,762 million, representing an increase of 60 per cent from a gross profit of approximately HK$1,103 million for 2007. The increase in consolidated gross profit was given rise by the increase in turnover.

The Group's consolidated operating profit before investment properties revaluation deficit for 2008 was approximately HK$1,227 million, comparing to HK$714 million for 2007.

The Group recorded consolidated net profit of approximately HK$513 million for 2008, representing a decrease of 35 per cent compared with consolidated net profit of approximately HK$784 million for 2007. The decrease was mainly attributable to the deficit on revaluation of investment properties. Basic earnings per share for 2008 were 21.29 Hong Kong cents compared with 32.59 Hong Kong cents for 2007.

In accordance with the applicable HKFRS issued by the HKICPA, revenue and profits from the sale of property development are recognised on completion of development, when the inflow of economic benefits associated with the property sales transactions is assessed to be probable and significant risks and rewards of ownership have been transferred.

### Current assets and liabilities

As at December 31, 2008, the Group held current assets of approximately HK$13,825 million (December 31, 2007: HK$14,406 million), comprising mainly sales proceeds held in stakeholders' accounts, properties under development/held for sale, trade receivables and cash and bank balances. The decrease in current assets was attributable to a decrease in properties under development/held for sale. Sales proceeds held in stakeholders' accounts were increased by 188 per cent from approximately HK$2,425 million as at December 31, 2007 to approximately HK$6,994 million as at December 31, 2008. Properties under development/held for sale in current assets decreased from approximately HK$9,133 million as at December 31, 2007 to approximately HK$2,402 million as at December 31, 2008. Trade receivables increased from approximately HK$332 million as at December 31, 2007 to approximately HK$1,918 million as at December 31, 2008. Cash and bank balances amounted to approximately HK$1,654 million as at December 31, 2008 (December 31, 2007: HK$1,865 million).

Total current liabilities as at December 31, 2008 amounted to approximately HK$7,428 million, compared with approximately HK$8,592 million as at December 31, 2007.

### Capital structure, liquidity and financial resources

As at December 31, 2008, the Group's total borrowings amounted to approximately HK$2,645 million, representing an increase of HK$49 million compared with total borrowings of approximately HK$2,596 million as at December 31, 2007. As at December 31, 2008, all the Group's borrowings were from PCCW group, representing 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.

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. There was no such banking facility as at December 31, 2008.

The Group's business transactions, assets and liabilities were primarily denominated in Hong Kong dollars. Renminbi-denominated revenue represented approximately 2 per cent of the Group's total turnover, while PRC, Thailand 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 remaining balance in US dollars, Renminbi, Thai Baht and Japanese Yen. As the Group has certain investment in foreign operations, 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 2008 was approximately HK$155 million, while cash used for operating activities in 2007 was approximately HK$572 million.

### Income tax

Income tax expense for 2008 was approximately HK$128 million compared with income tax expense for 2007 was approximately HK$86 million. The increase of income tax was mainly due to increase in taxable profit for the current year.

### Contingent liabilities

As at December 31, 2008, 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, 2007: HK$1 million).

## EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2008, the Group employed 517 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 and Group 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 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 did not recommend the payment of a final dividend for the year ended December 31, 2008 (2007: Nil).

The Board did not declare an interim dividend for the six months ended June 30, 2008 (2007: 1.5 Hong Kong cents per ordinary share).

## CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from June 8, 2009 to June 11, 2009, 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 June 5, 2009.

## 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, 2008.

## PUBLIC FLOAT

Based on information that is available to the Company, as at the date of this announcement, the percentage of shares held by the public has fallen to approximately 18.44 per cent, which is below the minimum percentage prescribed under Rule 8.08 (the “Minimum Prescribed Percentage”) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The shortfall arose because Elliott Capital Advisors, L.P. has increased its shareholdings in the Company to 20.03 per cent and became a substantial shareholder and hence 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.

## 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 Listing Rules for the year ended December 31, 2008, except that the Chairman of the Board was unable to attend the Company’s annual general meeting held on May 13, 2008 (which was required under the code provision Appendix 14 E.1.2) as he was out of town on another engagement that was important to the Company’s business.

## OUTLOOK

The Hong Kong property market enjoyed healthy growth in the past few years. However, the global financial tsunami arising in the second half of 2008 has created the volatile local stock market and uncertain economic outlook for 2009.

Despite all the negative issues, continued shortage of high-end luxury premises, relatively low mortgage and interest rates and the fiscal stimulus package offered by the HKSAR Government and PRC Government will continue to sustain demand and prices for luxury residential accommodation in Hong Kong. With this in mind, the Group’s long-term economic outlook remains cautiously optimistic.

Development plans for luxury resort complexes in Thai Muang Beach, Phang-nga in southern Thailand, represent long-term expansion prospects for the Group. Steady progress has also been made on the development of world-class all-season resorts at Hanazono, Hokkaido in Japan, where the ski operation has already been established. In addition, the Group’s first telephone exchange redevelopment project, ONE Pacific Heights, is scheduled for completion for around mid of 2009, while the luxury residential development in the Chaoyang district of Beijing in mainland China is scheduled for completion in 2010.

The Group continues to identify opportunities of high-value potential, with a view to strengthening the Group’s business portfolios. Prudent approach will be maintained and the Group will continue to explore substantial growth opportunities in the Asia-Pacific region and other parts of the world.

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

Hong Kong, April 21, 2009

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

*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*