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Pacific Century  
Premium Developments  
盈科大衍地產發展

## **PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED**

**盈科大衍地產發展有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00432)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2009**

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, 2009, together with comparative figures for the previous year.

- Consolidated turnover down 58 per cent to HK\$4,222 million
- Consolidated operating profit up 39 per cent to HK\$966 million
- Profit attributable to equity holders of the Company up 16 per cent to HK\$594 million
- Basic earnings per share 24.68 Hong Kong cents
- The Board did not recommend the payment of a final dividend
- Proposed special dividend of HK\$1.32 per share

#### **Profit for the year**

The Group’s audited profit attributable to equity holders of the Company for 2009 amounted to HK\$594 million. Basic earnings per share were 24.68 Hong Kong cents.

#### **Dividends**

The Board has recommended the payment of a special dividend of HK\$1.32 (2008: Nil) per ordinary share or an aggregate amount of approximately HK\$3,178 million (2008: Nil) for the year ended December 31, 2009, subject to the approval of shareholders of the Company at the forthcoming annual general meeting, to shareholders whose names appear on the register of members of the Company on May 4, 2010, payable on or around May 17, 2010.

The Board did not recommend the payment of a final dividend for the year ended December 31, 2009 (2008: Nil).

The Board did not declare an interim dividend for the six months ended June 30, 2009 (2008: Nil).

## **BUSINESS REVIEW**

### **Property development**

Revenue from property development in Hong Kong for the year ended December 31, 2009 amounted to approximately HK\$3,855 million, compared with approximately HK\$9,551 million for the previous year.

In February 2009, the tenth batch of net surplus proceeds from the Cyberport project, totalling HK\$5,604 million, was allocated between the Government of the Hong Kong Special Administrative Region (the “HKSAR Government”) and the Group, in accordance with the Cyberport Project Agreement. The HKSAR Government received approximately HK\$3,617 million, while the Group retained approximately HK\$1,987 million.

In July 2009, the eleventh batch of net surplus proceeds from the Cyberport project, totalling HK\$2,639 million, was allocated between the HKSAR Government and the Group. In accordance with the Cyberport Project Agreement, the HKSAR Government received approximately HK\$1,703 million, while the Group retained approximately HK\$936 million.

In October 2009, the twelfth batch of net surplus proceeds from the Cyberport project, totalling HK\$1,582 million, was allocated between the HKSAR Government and the Group. In accordance with the Cyberport Project Agreement, the HKSAR Government received approximately HK\$1,022 million, while the Group retained approximately HK\$560 million.

Houses at Villa Bel-Air are expected to be released gradually over the next few years. Handover of high-end residential development, ONE Pacific Heights in the west of Central district continues.

The residential development at Lot No. 4, Gong Ti Bei Lu, Beijing was sold in the year with a gain of approximately HK\$232 million.

In Japan, a significant progress has been made with development permit was obtained recently for the all-seasons resort project, Hanazono, Hokkaido.

### **Property investment in mainland China**

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 73 per cent for the year ended December 31, 2009.

The Group’s gross rental income for 2009 amounted to approximately HK\$212 million, compared with approximately HK\$230 million for 2008.

### **Other businesses**

Other businesses within the Group include property developments in Thailand and Japan, facilities management, property management in Hong Kong and Japan, as well as the ski operation. Revenue from other businesses for 2009 amounted to approximately HK\$155 million, compared with approximately HK\$162 million for the previous year.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended December 31,	
	Note(s)	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
<b>Turnover</b>	3, 4	<b>4,222</b>	9,943
Cost of sales		<u>(3,032)</u>	<u>(8,181)</u>
Gross profit		<b>1,190</b>	1,762
General and administrative expenses		(610)	(526)
Other income		<b>210</b>	2
Other gains/(losses), net	5	<b>176</b>	(11)
Deficit on revaluation of investment properties		<u>—</u>	<u>(534)</u>
<b>Operating profit</b>		<b>966</b>	693
Interest income		<b>11</b>	88
Finance costs	6	<u>(155)</u>	<u>(140)</u>
<b>Profit before taxation</b>	7	<b>822</b>	641
Income tax	8	<u>(228)</u>	<u>(128)</u>
<b>Profit attributable to equity holders of the Company</b>		<u><b>594</b></u>	<u>513</u>
<b>Other comprehensive (loss)/income:</b>			
Currency translation differences:			
Exchange differences on translating foreign operations		<b>24</b>	300
Less: Reclassification adjustments arose from disposal of subsidiaries		<u>(73)</u>	<u>—</u>
<b>Other comprehensive (loss)/income for the year, net of tax</b>		<u>(49)</u>	<u>300</u>
<b>Total comprehensive income</b>		<u><b>545</b></u>	<u>813</u>
<b>Dividends</b>			
Special dividend proposed after the balance sheet date	9	<u><b>3,178</b></u>	<u>—</u>
<b>Earnings per share</b> (expressed in Hong Kong cents per share)			
Basic	10	<b>24.68 cents</b>	21.29 cents
Diluted	10	<u><b>24.11 cents</b></u>	<u>21.21 cents</u>
<b>Dividends per share</b> (expressed in Hong Kong dollars per share)	9	<u><b>1.32 dollars</b></u>	<u>—</u>

## CONSOLIDATED BALANCE SHEET

	Note	December 31, 2009 <i>HK\$ million</i>	December 31, 2008 <i>HK\$ million</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties		3,866	3,831
Property, plant and equipment		181	173
Properties under development		356	626
Properties held for development		548	860
Goodwill		3	96
Other receivables		6	4
Deferred income tax assets		13	23
		<u>4,973</u>	<u>5,613</u>
<b>Current assets</b>			
Properties under development/held for sale		683	2,402
Sales proceeds held in stakeholders' accounts		1,271	6,994
Restricted cash		949	720
Trade receivables, net	11	172	1,918
Prepayments, deposits and other current assets		151	125
Amounts due from fellow subsidiaries		42	10
Amounts due from related companies		2	2
Cash and cash equivalents		5,506	1,654
		<u>8,776</u>	<u>13,825</u>

	Note	December 31, 2009 <i>HK\$ million</i>	December 31, 2008 <i>HK\$ million</i>
<b>Current liabilities</b>			
Current portion of long-term borrowings		24	24
Trade payables	12	45	191
Accruals, other payables and deferred income		1,237	1,600
Deposits received on sales of properties		84	469
Gross amounts due to customers for contract works		—	5
Amounts due to fellow subsidiaries		6	15
Amount payable to the HKSAR Government under the Cyberport Project Agreement		833	4,981
Current income tax liabilities		<u>102</u>	<u>143</u>
		<u>2,331</u>	<u>7,428</u>
<b>Net current assets</b>		<u>6,445</u>	<u>6,397</u>
<b>Total assets less current liabilities</b>		<u>11,418</u>	<u>12,010</u>
<b>Non-current liabilities</b>			
Long-term borrowings		2,241	2,105
Amount payable to the HKSAR Government under the Cyberport Project Agreement		—	1,195
Deferred income tax liabilities		266	240
Other long-term liabilities		<u>—</u>	<u>33</u>
		<u>2,507</u>	<u>3,573</u>
<b>Net assets</b>		<u><u>8,911</u></u>	<u><u>8,437</u></u>
<b>REPRESENTING:</b>			
Issued equity		4,321	4,321
Reserves		<u>4,590</u>	<u>4,116</u>
		<u><u>8,911</u></u>	<u><u>8,437</u></u>

## 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, 2009 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, 2009*

#### **HKAS 1 (Revised) Presentation of Financial Statements**

As a result of the adoption of HKAS 1 (Revised), details of change in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated statement of comprehensive income. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any year presented. Comparative figures have been provided on a basis consistent with the new presentation requirements under HKAS 1 (Revised).

#### **HKFRS 8 Operating Segments**

HKFRS 8 requires segment disclosure to be based on the way that the Group’s chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group’s chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group’s financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group’s most senior executive management, and has resulted in additional reportable segments being identified and presented. Comparative figures have been provided on a basis consistent with the revised segment information.

*Standards, amendments and interpretations effective from January 1, 2009 adopted by the Group but have no significant impact on the Group’s financial statements*

HKAS 23 (Revised)	Borrowing Costs
HKAS 32 (Amendment) and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation
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
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HK(IFRIC)-Int 13	Customer Loyalty Programmes

## 2. Basis of Preparation - Continued

HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation

### Improvements to HKFRS – Amendments to:

HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 16	Property, Plant and Equipment
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 29	Financial Reporting in Hyperinflationary Economies
HKAS 31	Interests in Joint Ventures
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS 41	Agriculture

### Other minor amendments to:

HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events After the Balance Sheet Date
HKAS 18	Revenue
HKAS 34	Interim Financial Reporting

*The following new standards, amendments and interpretations have been issued but are not yet effective for the year ended December 31, 2009 and which the Group has not early adopted:*

HKAS 1	Current/Non-current Classification of Convertible Instruments (effective for annual periods beginning on or after January 1, 2010)
HKAS 7	Classification of Expenditures on Unrecognised Assets (effective for annual periods beginning on or after January 1, 2010)
HKAS 17	Classification of Leases of Land and Buildings and Consequential amendment to HK-Int 4 – Determining whether an Arrangement contains a Lease (effective for annual periods beginning on or after January 1, 2010)
HKAS 24 (Revised)	Related Party Disclosures (effective for annual periods beginning on or after January 1, 2011)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 1, 2009)
HKAS 32 (Amendment)	Classification of Rights Issues (effective for annual periods beginning on or after February 1, 2010)
HKAS 36	Unit of Accounting for Goodwill Impairment Test (effective for annual periods beginning on or after January 1, 2010)
HKAS 38	Additional Consequential Amendments arising from HKFRS 3 (revised) and Measuring Fair Value of an Intangible Asset Acquired in Business Combination (effective for annual periods beginning on or after July 1, 2009)
HKAS 39	Treating Loan Prepayment Penalties as Closely Related Derivatives, Cash Flow Hedge Accounting, Scope Exemption for Business Combination Contracts (effective for annual periods beginning on or after January 1, 2010)
HKAS 39 (Amendment)	Eligible Hedged Items (effective for annual periods beginning on or after July 1, 2009)
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards (effective for annual periods beginning on or after July 1, 2009)
HKFRS 2	Shared-based Payment (effective for annual periods beginning on or after January 1, 2010)
HKFRS 3 (Revised)	Business Combination (effective for annual periods beginning on or after July 1, 2009)
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after July 1, 2009)

## 2. Basis of Preparation - Continued

HKFRS 8	Disclosure of Information about Segment Assets (effective for annual periods beginning on or after January 1, 2010)
HKFRS 9	Financial instruments (effective for annual periods beginning on or after January 1, 2013)
HK(IFRIC)-Int 9 and HKFRS 3 (revised)	Reassessment of Embedded Derivatives and Business Combination (effective for annual periods beginning on or after July 1, 2009)
HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after January 1, 2011)
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after July 1, 2009)
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)
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 1, 2010)

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,	
	2009	2008
	<i>HK\$ million</i>	<i>HK\$ million</i>
Property development	3,855	9,557
Property investment	214	230
Other businesses	<u>153</u>	<u>156</u>
	<u><b>4,222</b></u>	<u><b>9,943</b></u>

#### 4. Segment Information

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource 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 a)		Elimination		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Revenue from external customers	3,855	9,551	212	230	155	162	—	—	4,222	9,943
Inter-segment revenue	—	—	—	1	38	38	(38)	(39)	—	—
Reportable segment revenue	<u>3,855</u>	<u>9,551</u>	<u>212</u>	<u>231</u>	<u>193</u>	<u>200</u>	<u>(38)</u>	<u>(39)</u>	<u>4,222</u>	<u>9,943</u>
Interest income	2	48	5	5	—	3	—	—	7	56
Unallocated interest income	—	—	—	—	—	—	—	—	4	32
Consolidated interest income	—	—	—	—	—	—	—	—	<u>11</u>	<u>88</u>
Finance costs	—	—	—	—	—	—	—	—	—	—
Unallocated finance costs	—	—	—	—	—	—	—	—	155	140
Consolidated finance costs	—	—	—	—	—	—	—	—	<u>155</u>	<u>140</u>
Depreciation and amortisation	2	1	13	11	15	15	—	—	30	27
Unallocated depreciation and amortisation	—	—	—	—	—	—	—	—	6	3
Consolidated depreciation and amortisation	—	—	—	—	—	—	—	—	<u>36</u>	<u>30</u>
Impairment losses	<u>91</u>	<u>33</u>	<u>—</u>	<u>—</u>	<u>15</u>	<u>10</u>	<u>—</u>	<u>—</u>	<u>106</u>	<u>43</u>
Profit/(loss) before taxation	901	1,310	85	(396)	171	(9)	—	—	1,157	905
Unallocated corporate expenses	—	—	—	—	—	—	—	—	(335)	(264)
Consolidated profit before taxation	—	—	—	—	—	—	—	—	<u>822</u>	<u>641</u>
Income tax	163	201	26	(80)	33	7	—	—	222	128
Unallocated income tax	—	—	—	—	—	—	—	—	6	—
Consolidated income tax	—	—	—	—	—	—	—	—	<u>228</u>	<u>128</u>

#### 4. Segment Information - Continued

##### a. Business segments - Continued

	Property development in Hong Kong		Property investment in mainland China		Other businesses (note a)		Elimination		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Addition to non-current segment assets during the period	—	—	30	13	56	140	—	—	86	153
Unallocated addition									<u>7</u>	<u>13</u>
Consolidated addition to non-current segment assets during the period									<u>93</u>	<u>166</u>
Segment assets	3,113	12,179	4,323	4,217	1,204	1,811	—	—	8,640	18,207
Unallocated corporate assets									<u>5,109</u>	<u>1,231</u>
Consolidated total assets									<u>13,749</u>	<u>19,438</u>
Segment liabilities	2,092	8,375	322	286	65	124	—	—	2,479	8,785
Unallocated corporate liabilities									<u>2,359</u>	<u>2,216</u>
Consolidated total liabilities									<u>4,838</u>	<u>11,001</u>

(a) Revenue from segments below the quantitative thresholds are attributable to six operating segments of the Group. Those segments include property development in Thailand and Japan, property management in Hong Kong and Japan, facilities management and ski operation. None of these segments has ever met any of the quantitative thresholds for determining reportable segments.

#### 4. Segment Information - Continued

##### b. Geographical information

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's investment properties, property, plant and equipment, non-current properties under development, properties held under development, 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 assets and goodwill, and the location of operations.

	Revenue from external customers		Specified non-current assets	
	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
Hong Kong (place of domicile)	3,951	9,659	50	107
Mainland China	220	235	3,923	4,529
Japan	51	49	437	428
Thailand	—	—	550	526
	<u>4,222</u>	<u>9,943</u>	<u>4,960</u>	<u>5,590</u>

#### 5. Other gains/(losses), net

	For the year ended December 31,	
	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
Gain on disposal of subsidiaries	232	4
Gain/(Loss) on rental guarantee	40	(12)
Impairment losses	(96)	(10)
Gain on derivative financial instrument	—	7
	<u>176</u>	<u>(11)</u>

#### 6. Finance Costs

	For the year ended December 31,	
	2009 <i>HK\$ million</i>	2008 <i>HK\$ million</i>
Interest expenses:		
Convertible notes wholly repayable over two years, but not exceeding five years	149	—
Convertible notes wholly repayable after five years	—	140
Other borrowing costs	6	—
	<u>155</u>	<u>140</u>

## 7. Profit Before Taxation

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

	For the year ended	
	December 31,	
	2009	2008
	<i>HK\$ million</i>	<i>HK\$ million</i>
Crediting:		
Gross rental income from investment properties	214	230
Other rental income	6	6
Less: outgoings	(31)	(26)
Other income from deposits forfeited	209	—
Charging:		
Cost of properties sold	2,917	8,070
Depreciation	35	21
Amortisation of leasehold land	1	9
Staff costs, included in:		
- cost of sales	63	52
- general and administrative expenses	171	146
Contributions to defined contribution retirement scheme, included in:		
- cost of sales	3	3
- general and administrative expenses	11	7
Auditors' remuneration	4	3
Operating lease rental of land and buildings, included in		
- cost of sales	2	3
- general and administrative expenses	40	11
Operating lease rental of equipment	1	1
Deficit on revaluation of investment properties	—	534
Provision for impairment of trade receivables	10	33
Net foreign exchange (gain)/loss	(3)	6

## 8. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2008: 16.5 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,	
	2009	2008
	<i>HK\$ million</i>	<i>HK\$ million</i>
Hong Kong profits tax		
- Provision for current year	185	222
- Over provision in respect of prior years	—	(9)
Overseas income tax		
- Provision for current year	8	30
- Over provision in respect of prior years	(1)	—
Deferred income tax relating to the origination and reversal of temporary differences	<u>36</u>	<u>(115)</u>
	<u><b>228</b></u>	<u><b>128</b></u>

## 9. Dividends

	For the year ended	
	December 31,	
	2009	2008
	<i>HK\$ million</i>	<i>HK\$ million</i>
Final dividend proposed after the balance sheet date (2008: Nil)	—	—
Special dividend of HK\$1.32 per ordinary share proposed after the balance sheet date (2008: Nil)	<u>3,178</u>	<u>—</u>
	<u><b>3,178</b></u>	<u><b>—</b></u>

There was no final dividend paid for 2008. A special dividend for 2009 of HK\$1.32 per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting. The special dividend proposed after the balance sheet date for 2009 has not been recognised as a liability as at the balance sheet date.

## 10. 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,	
	2009	2008
	<i>HK\$ million</i>	<i>HK\$ million</i>
Earnings for the purpose of calculating the basic earnings per share	594	513
Finance costs on convertible notes	<u>149</u>	<u>140</u>
Earnings for the purpose of calculating the diluted earnings per share	<u><u>743</u></u>	<u><u>653</u></u>
	2009	2008
	<i>Number of shares</i>	<i>Number of shares</i>
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	<u>672,222,222</u>	<u>672,479,242</u>
Weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share	<u><u>3,079,682,095</u></u>	<u><u>3,079,939,115</u></u>

## 11. Trade Receivables, Net

An aging analysis of trade receivables is set out below:

	December 31, 2009	December 31, 2008
	<i>HK\$ million</i>	<i>HK\$ million</i>
Current	13	1,742
One to three months	—	—
More than three months	<u>192</u>	<u>209</u>
	205	1,951
Less: Provision for impairment	<u>(33)</u>	<u>(33)</u>
	<u><u>172</u></u>	<u><u>1,918</u></u>

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.

## 12. Trade Payables

An aging analysis of trade payables is set out below:

	<b>December 31, 2009</b>	December 31, 2008
	<i>HK\$ million</i>	<i>HK\$ million</i>
Current	13	191
One to three months	<u>32</u>	<u>—</u>
	<u><b>45</b></u>	<u><b>191</b></u>

## 13. 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 agreement dated May 17, 2000 entered into with the HKSAR Government ("Cyberport Project Agreement"), the HKSAR Government is entitled to receive approximately 65 per cent of the surplus cash flow earned from the Cyberport project.

The amounts paid and payable to the HKSAR Government are part of the Group's costs of developing the Cyberport project.

The 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 2009 has resulted in the costs of properties sold recorded in the year ended December 31, 2009 being increased by HK\$59 million.

Under the Cyberport Project Agreement, a Development Maintenance Account (the "DMA Account") is established for the provision of funds ("DMA Amount") for the upkeep and maintenance of certain facilities commonly available to both tenants and visitors at the commercial portion of the Cyberport project. In 2004, the DMA Amount provisionally assessed at HK\$500 million, had been funded jointly by the HKSAR Government and the Group to the DMA Account.

According to the Cyberport Project Agreement, Hong Kong Cyberport Management Company Limited ("HKCMCL"), the entity established by the HKSAR Government, shall calculate the final assessment of the DMA Amount before the end of December 2009. Since the end of the year under review, the Group has entered into discussion with HKCMCL, of which the outcome is still uncertain. The Group has sought legal and other professional advice on this subject and in view of such advice, the management's assessment is that the provisional assessment of HK\$500 million would be adequate for the purpose of the final assessment of the DMA Amount, and the liability to contribute additional funds to the DMA Account by the Group is remote. Accordingly, no additional provision for DMA Amount is made as at December 31, 2009. Since the final outcome of the discussion with HKCMCL is uncertain, should the final assessment figure of DMA Amount become different from the HK\$500 million which management has estimated, provision will have to be made accordingly.

(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, 2009, the fair value of the investment properties was HK\$3,866 million.

(iii) Derivative financial instruments

The fair value of the liability portion of a convertible debt was determined by using a market interest rate for an equivalent non-convertible debt at the date the 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 taxation expense would be made. As at December 31, 2009, the total deferred income tax assets recognised was HK\$41 million, with HK\$28 million deferred income tax assets netted off against the deferred income tax liabilities recognised in the consolidated balance sheet.

(v) Goodwill impairment

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates related future cash flows of the cash generating units to which the goodwill is attached and appropriate discount rates. During the year, impairment loss for goodwill of HK\$96 million was recognised. As at December 31, 2009, goodwill balance recognised in the consolidated balance sheet was HK\$3 million.

## **FINANCIAL REVIEW**

### **Review of results**

The Group recorded a consolidated turnover of approximately HK\$4,222 million for 2009, representing a decrease of 58 per cent compared with approximately HK\$9,943 million for 2008. The decrease in turnover was the result of revenue recognised from the sales of a major phase of Bel-Air which took place in last year.

The Group's consolidated gross profit for 2009 was approximately HK\$1,190 million, representing a decrease of 32 per cent from a gross profit of approximately HK\$1,762 million for 2008. The decrease in consolidated gross profit was resulted from the decrease in turnover.

The Group's consolidated operating profit for 2009 was approximately HK\$966 million, comparing to HK\$693 million for 2008.

The Group recorded consolidated net profit of approximately HK\$594 million for 2009, representing an increase of 16 per cent compared with approximately HK\$513 million for 2008. The increase was attributable to the gain on disposal of residential development project in mainland China during the year. Basic earnings per share during the year were 24.68 Hong Kong cents compared with 21.29 Hong Kong cents for 2008.

In accordance with 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, 2009, the Group held current assets of approximately HK\$8,776 million (December 31, 2008: HK\$13,825 million), mainly comprising properties under development/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 decrease in properties under development/held for sale. Properties under development/held for sale in current assets decreased from approximately HK\$2,402 million as at December 31, 2008 to approximately HK\$683 million as at December 31, 2009. Cash and bank balances amounted to approximately HK\$5,506 million as at December 31, 2009 (December 31, 2008: HK\$1,654 million). Sales proceeds held in stakeholders' accounts were decreased by 82 per cent from HK\$6,994 million as at December 31, 2008 to approximately HK\$1,271 million as at December 31, 2009. Restricted cash increased from HK\$720 million as at December 31, 2008 to approximately HK\$949 million as at December 31, 2009.

Total current liabilities as at December 31, 2009 amounted to approximately HK\$2,331 million, compared with HK\$7,428 million as at December 31, 2008.

### **Capital structure, liquidity and financial resources**

As at December 31, 2009, total Group borrowings amounted to approximately HK\$2,704 million, representing an increase of HK\$48 million amortised redemption premium and RMB10 million loan from a bank compared with total borrowings of HK\$2,645 million as at December 31, 2008. As at December 31, 2009, the Group's long-term borrowings representing RMB10 million loan from a bank due September 24, 2012 and the tranche B convertible note of HK\$2,420 million from PCCW group, 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. As the tranche B convertible note of HK\$ 2,420 million is from the Company's major shareholder, PCCW Limited, it is not included in the total debt for calculating the debt-to-equity ratio of the Group. As at December 31, 2009, the debt-to-equity ratio excluding the tranche B convertible note is 0.1 per cent (2008: Nil).

The Group's business transactions, assets and liabilities were primarily denominated in Hong Kong dollars. Renminbi-denominated revenue and Japanese Yen-denominated revenue represented approximately 5 per cent and 1 per cent of total Group turnover respectively, while PRC assets, Thailand assets and Japan assets represented approximately 32 per cent, 4 per cent and 4 per cent of the Group's total assets respectively.

All the Group's borrowings were denominated in Hong Kong dollars and Renminbi. 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 investments 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 generated for operating activities in 2009 was approximately HK\$3,134 million, while cash used for operating activities in 2008 was approximately HK\$155 million.

### **Income tax**

Income tax for 2009 was approximately HK\$228 million compared with approximately HK\$128 million for 2008. The increase of income tax was mainly due to reversal of deferred tax liabilities in prior year.

### **Charge on assets**

As at December 31, 2009, certain assets of the Group with an aggregate carrying value of approximately HK\$3,839 million (2008: Nil) were pledged to secure banking facilities of the Group.

### **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. There was no such performance guarantee outstanding as at December 31, 2009.

Save as disclosed elsewhere in this announcement, the Group has no other material contingent liabilities as at December 31, 2009.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at December 31, 2009, the Group employed 566 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.

## **CLOSURE OF REGISTER OF MEMBERS**

The Company's register of members will be closed from May 5, 2010 to May 10, 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the special dividend of HK\$1.32 per ordinary share, 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 May 4, 2010. Dividend warrants will be despatched to shareholders on or around May 17, 2010.

## **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, 2009.

## **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 18.56 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. held 19.91 per cent shareholdings in the Company and is 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.

## **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, 2009, except that the Chairman of the Board was unable to attend the Company's annual general meeting held on June 11, 2009 (which was required under the code provision E.1.2) as he needed to attend an important business meeting of the Company.

## OUTLOOK

The global economy appears to have entered the early stages of recovery. The economic sentiment has apparently improved locally and internationally, largely as a result of ongoing relief measures deployed by governments and central banks around the world.

Increase in credit flow and liquidity, along with the improving labour market, revival of local consumer sentiment and more favourable property market conditions in terms of price and transaction volumes are helping the Hong Kong economy and property market demonstrate healthy growth. With this in mind, the Group maintains a cautiously optimistic view of Hong Kong's long-term property market prospects and general economic outlook.

Luxury houses at Villa Bel-Air in Hong Kong are planned for gradual release to the market over the next few years, while handover of sold units at ONE Pacific Heights continues. For the overseas projects, master layout plans and marketing strategies are being drawn up for long-term projects to create world-class all-season resort development projects at Hokkaido in Japan, and Phang-nga in southern Thailand.

The Group has adopted a prudent approach, while continuing to enhance competitiveness and strengthen profitability by maintaining a constant lookout for opportunities on a global scale.

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

Hong Kong, March 9, 2010

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; Prof Wong Yue Chim, Richard, SBS, JP; and Dr Allan Zeman, GBS, JP.

\* For identification only