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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2007

The board of directors (the "Board") of Pacific Century Premium Developments Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2007. These interim financial information have not been audited but have been reviewed by the Company's Audit Committee and the Company's external auditors, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

- Consolidated turnover down 60.2 per cent to HK$2,100 million
- Profit attributable to equity holders of the Company down 13.8 per cent to HK$606 million
- Basic earnings per share 25.19 Hong Kong cents
- Interim dividend of 1.5 Hong Kong cents per share

Profit for the first half year

The Group's unaudited profit attributable to equity holders of the Company for the six months ended June 30, 2007 amounted to HK$606 million. Basic earnings per share were 25.19 Hong Kong cents.

Interim dividend

The Board has declared an interim dividend of 1.5 Hong Kong cents per ordinary share for the six months ended June 30, 2007 (2006: 1.5 Hong Kong cents per ordinary share) or an aggregate amount of approximately HK$36 million (2006: HK$36 million) to shareholders whose names appear on the register of members of the Company on September 13, 2007. The interim dividend will be paid on or around September 25, 2007.

BUSINESS REVIEW

Property development

The luxury residential market demonstrated a strong growth in the first half of 2007. This can be attributed to confidence among high net worth individuals encouraged by positive stock market performance, robust economic momentum, low unemployment and high demand for luxury residential accommodation.

The primary luxury market did exceptionally well, as was evidenced by the Group's sales success following the launch of Bel-Air No.8. Increasing recognition of the Bel-Air brand continues to impress buyers in terms of architectural design, development facilities and service quality. The brand also represents a unique experience in luxury lifestyles that will serve to raise the profile of the high-end property projects in Hong Kong and overseas.

The Group recognised approximately HK$2,100 million in revenue for the six months ended June 30, 2007. Profit before taxation during the six months ended June 30, 2007 was approximately HK$617 million, compared with approximately HK$838 million for the corresponding period in 2006.

In June 2007, the seventh batch of net surplus proceeds for the Cyberport project, totalling HK$2,799 million, was allocated between the Government of the Hong Kong Special Administrative Region ("HKSAR") and the Group. The Government of the HKSAR received an aggregate amount of approximately HK$1,806 million, in accordance with the Cyberport Project Agreement, while the Group retained approximately HK$993 million for the six months ended June 30, 2007.

The Group's telephone exchange redevelopment project in Hong Kong continues to make progress. Located in Wo Fung Street, west of Central, the site will be redeveloped into approximately 150 boutique apartments. Work is currently on schedule and pre-sales are expected by the end of 2007 or early 2008, with completion targeted for 2009.

In mainland China, development work on the Group's prestigious residential project located at No.4 Gong Ti Bei Lu, Chaoyang District, Beijing, has commenced. With a total development gross floor area of approximately 46,300 square metres, the project is expected to reach completion in 2009. Project quality standards are expected to surpass those currently prevalent in Beijing and valuable synergies will be created with the Group's adjacent property, Pacific Century Place.

Property investment

The Group owns a premium-grade investment building, Pacific Century Place, in Beijing city centre. With a gross floor area of more than 169,900 square metres, this multiple-use complex is currently home to many multinational corporations, world-class retailers and residential tenants. Demand for office and retail space is expected to increase, given mainland China's booming economy and the accelerating pace of corporate expansion. Pacific Century Place enjoyed an average occupancy rate of 91 per cent for the six months ended June 30, 2007 and a number of value enhancement works are scheduled for completion by 2009.

The Group's gross rental income for the six months ended June 30, 2007 amounted to approximately HK$115 million, compared with approximately HK$111 million for the same period in 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. Revenue from the property management division for the six months ended June 30, 2007 amounted to approximately HK$45 million, compared with approximately HK$40 million for the corresponding period in 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT

HK$ million	Note(s)	For the six months ended June 30, **2007** **(Unaudited)**	2006 (Unaudited)
Turnover	2	**2,100**	5,276
Cost of sales		**(1,412)**	(4,424)
Gross profit		**688**	852
General and administrative expenses		**(177)**	(158)
Other revenue		**21**	7
Finance costs		**(65)**	(61)
Interest income		**150**	198
Profit before taxation	2,3	**617**	838
Income tax	4	**(11)**	(135)
Profit attributable to equity holders of the Company		**606**	703
Dividend			
Interim dividend declared	5	**36**	36
Earnings per share (expressed in Hong Kong cents per share)			
Basic	6	**25.19 cents**	29.23 cents
Diluted	6	**21.73 cents**	24.84 cents
Dividend per share (expressed in Hong Kong cents per share)	5	**1.5 cents**	1.5 cents

CONDENSED CONSOLIDATED BALANCE SHEET

HK$ million	Note	**June 30, 2007 (Unaudited)**	December 31, 2006 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		**3,984**	3,861
Property, plant and equipment		**41**	43
Properties under development		**747**	1,979
Interest in leasehold land	7	—	502
Goodwill		**81**	81
Other receivables		**16**	15
Deferred income tax assets		—	1
		4,869	6,482
Current assets			
Properties under development/held for sale		**6,893**	1,521
Sales proceeds held in stakeholders' accounts		**3,472**	3,472
Restricted cash		**435**	826
Trade receivable, net	8	**434**	438
Prepayments, deposits and other current assets		**120**	55
Amounts due from fellow subsidiaries		**10**	5
Amounts due from related companies		**3**	5
Short-term deposits		—	173
Cash and cash equivalents		**2,150**	2,445
		13,517	8,940

HK$ million	Note	**June 30, 2007 (Unaudited)**	December 31, 2006 (Audited)
Current liabilities			
Current portion of long-term borrowings		**24**	24
Trade payable	9	**78**	93
Accruals, other payables and deferred income		**1,256**	1,451
Deposits received on sales of properties		**1,083**	98
Gross amounts due to customers for contract works		**—**	7
Amounts due to fellow subsidiaries		**16**	17
Amount due to ultimate holding company		**202**	1,195
Provisions		**1,463**	1,914
Current income tax liabilities		**144**	79
		4,266	4,878
Net current assets		**9,251**	4,062
Total assets less current liabilities		**14,120**	10,544
Non-current liabilities			
Long-term borrowings		**1,933**	1,880
Provisions		**4,581**	1,591
Deferred income tax liabilities		**293**	375
Other long-term liabilities		**14**	15
		6,821	3,861
Net assets		**7,299**	6,683
REPRESENTING:			
Issued equity		**4,321**	4,309
Reserves		**2,978**	2,374
		7,299	6,683

Notes:

1. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated financial information of the Group have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2006.

The preparation of the unaudited condensed consolidated financial information in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial information are consistent with those used in preparing the Group's annual financial statements for the year ended December 31, 2006 except for the adoption of the following new and revised Hong Kong Financial Reporting Standards, HKASs and interpretations ("new HKFRS") which are effective for annual periods beginning on or after January 1, 2007:

HKAS 1 Amendment	Presentation of Financial Statements – Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
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 adoption of these new HKFRS has no material impact to the Group's financial statements for the current or prior periods.

2. Turnover and Segment Information

An analysis of turnover and contribution to the Group's results and capital expenditure by business segment for the six months ended June 30, is set out below:

	Property development		Property investment		Other businesses		Elimination		Consolidated	
HK$ million	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
REVENUE										
External revenue	**1,940**	5,125	**115**	111	**45**	40	**—**	—	**2,100**	5,276
Inter-segment revenue	**—**	—	**—**	—	**29**	18	**(29)**	(18)	**—**	—
Total revenue	**1,940**	5,125	**115**	111	**74**	58	**(29)**	(18)	**2,100**	5,276
RESULT										
Segment results	**458**	655	**75**	71	**21**	6	**—**	—	**554**	732
Unallocated corporate expenses									**(22)**	(31)
Finance costs									**(65)**	(61)
Interest income									**150**	198
Profit before taxation									**617**	838
Income tax									**(11)**	(135)
Profit attributable to equity holders of the Company									**606**	703
Capital expenditure incurred during the period	**—**	9	**3**	3	**1**	1	**—**	—	**4**	13

3. Profit Before Taxation

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

HK$ million	Six months ended June 30, 2007	2006
Crediting:		
Gross rental income from investment properties	**115**	111
Other rental income	**1**	—
Less: outgoings	**(10)**	(7)
Charging:		
Cost of properties sold	**1,366**	4,383
Depreciation	**7**	6
Amortisation of leasehold land	**2**	1
Staff costs, included in:		
- cost of sales	**23**	23
- general and administrative expenses	**63**	46
Contributions to defined contribution retirement scheme, included in:		
- cost of sales	**1**	1
- general and administrative expenses	**—**	3
Value of employee services under employee share option scheme	**—**	2
Net foreign exchange loss	**—**	2

4. Income Tax

Hong Kong profits tax has been provided at the rate of 17.5 per cent on the estimated assessable profits for the period.

Mainland China income tax has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdiction.

HK$ million	Six months ended June 30, 2007	2006
Current income tax		
- Hong Kong profits tax	**84**	115
- Mainland China income tax	**20**	—
Deferred income tax (note a)	**(93)**	20
	11	135

a. On 16 March 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 June 30, 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 income statement for the current period.

5. Dividend

HK$ million	**Six months ended June 30, 2007**	2006
Interim dividend declared of 1.5 Hong Kong cents per ordinary share (2006: 1.5 Hong Kong cents per ordinary share)	**36**	36

The interim dividend declared after the balance sheet date has not been recognised as a liability as at the balance sheet date.

Final dividend of HK$132 million for 2006, which comprises 5.5 Hong Kong cents per ordinary share was paid by the Company on May 23, 2007.

6. Earnings Per Share

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

	Six months ended June 30, 2007	2006
Earnings (HK$ million)		
Earnings for the purpose of calculating the basic earnings per share	**606**	703
Finance costs on convertible notes	**65**	61
Earnings for the purpose of calculating the diluted earnings per share	**671**	764
	Number of shares	*Number of shares*
Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share	**2,403,702,967**	2,402,459,873
Effect of dilutive potential ordinary shares on conversion of convertible notes and the employee share options	**680,979,128**	672,222,222
Weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share	**3,084,682,095**	3,074,682,095

7. Interest In Leasehold Land

During the six months ended June 30, 2007, the Group's interest in leasehold land was transferred to properties under development.

8. Trade Receivable, Net

An aging analysis of trade receivable is set out below:

HK$ million	**June 30, 2007**	December 31, 2006
Current	**431**	418
One to three months	**1**	—
More than three months	**2**	20
	434	438

Trade receivable in respect of properties sold are payable by the purchasers pursuant to the terms of the sales contracts. Other trade receivable has 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.

9. Trade Payable

An aging analysis of trade payable is set out below:

HK$ million	**June 30, 2007**	December 31, 2006
Current	**77**	80
One to three months	**1**	5
More than three months	**—**	8
	78	93

FINANCIAL REVIEW

Review of results

The Group recorded a consolidated turnover of approximately HK$2,100 million for the six months ended June 30, 2007, representing a decrease of 60.2 per cent compared with approximately HK$5,276 million for the corresponding period in 2006. The decrease in turnover was mainly due to less revenue being recognised as no major completion of Bel-Air development occurred during the current period.

The Group's consolidated gross profit for the six months ended June 30, 2007 was approximately HK$688 million, representing a decrease of 19.2 per cent from a gross profit of approximately HK$852 million for the same period in 2006. The decrease resulted mainly from the decrease in turnover.

The Group recorded consolidated net profit of approximately HK$606 million for the six months ended June 30, 2007, representing a decrease of 13.8 per cent compared with approximately HK$703 million for the same period in 2006. The decrease was attributable to a decrease in turnover and lower interest income generated. Basic earnings per share during the period were 25.19 Hong Kong cents compared with 29.23 Hong Kong cents for the corresponding period in 2006.

In accordance with applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, revenue and profits from the sale of property development are recognised upon the completion of the development and when significant risks and rewards of ownership have been transferred.

Current assets and liabilities

As at June 30, 2007, the Group held current assets of approximately HK$13,517 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$6,893 million as at June 30, 2007. Cash and bank balances amounted to approximately HK$2,150 million as at June 30, 2007 (December 31, 2006: HK$2,618 million). Sales proceeds held in stakeholders' accounts remain stable at HK$3,472 million on both December 31, 2006 and June 30, 2007. Restricted cash declined from HK$826 million as at December 31, 2006 to approximately HK$435 million as at June 30, 2007 after distribution in June 2007.

Total current liabilities as at June 30, 2007 amounted to approximately HK$4,266 million, compared with HK$4,878 million as at December 31, 2006. The reduction was mainly from net surplus proceeds distribution from the Cyberport project, which reduced the amount due to the ultimate holding company.

Capital structure, liquidity and financial resources

As at June 30, 2007, total borrowings of the Group amounted to approximately HK$2,774 million, representing a decrease of HK$969 million compared with total borrowings of HK$3,743 million as at December 31, 2006. As at June 30, 2007, all the Group's long-term borrowings were from PCCW group. A portion of the borrowings, comprising approximately HK$202 million is interest free and is expected to be repaid from surplus proceeds distributed from the Cyberport project, while the tranche B convertible notes with principal amount of HK$2,420 million carries a fixed interest rate of one per cent per annum and is 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 June 30, 2007, the Group held a banking facility of approximately HK$20 million for the purpose of providing a guarantee to the Government of the HKSAR in relation to the Cyberport project (December 31, 2006: HK$20 million).

The majority of the Group's business transactions, assets and liabilities were denominated in Hong Kong dollars. Transactions, assets and liabilities relating to Pacific Century Place and the acquired residential site in Beijing, the People Republic of China ("PRC"), were denominated in Renminbi. Renminbi denominated revenue represented approximately 5.4 per cent of the Group's total turnover, while PRC assets represented approximately 26.4 per cent of the Group's total assets.

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 Renminbi and US dollars. The Group has no significant exposure to foreign exchange fluctuation and has not adopted any material hedging measures.

Cash used in operating activities for the six months ended June 30, 2007 was approximately HK$361 million while cash used in operating activities for the same period in 2006 was approximately HK$406 million.

Income tax

Income tax for the six months ended June 30, 2007 was approximately HK$11 million compared with approximately HK$135 million for the same period in 2006. The reduction of income tax is mainly due to the reversal of deferred income tax liabilities.

Contingent liabilities

As at June 30, 2007, the Group had an outstanding performance guarantee of approximately HK$1 million granted to the Government of the HKSAR for certain entrustment works in relation to the Cyberport project (December 31, 2006: HK$1 million).

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2007, the Group employed approximately 405 personnel, 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 overall 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.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from September 14, 2007 to September 18, 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend of 1.5 Hong Kong cents 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 not later than 4:30p.m. on September 13, 2007. Dividend warrants will be despatched on or around September 25, 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2007, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended June 30, 2007 and has held two meetings during the period under review.

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 for the six months ended June 30, 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 Group believes the luxury residential market will continue to flourish on the back of sustained economic prosperity, growing wealth stemming from a buoyant stock market, tightening supply and a relatively stable interest rate environment. Higher prices may materialise for properties in prominent locations. In the first half of 2007, the market continued to see strong demand for luxury residential development sites, highlighting optimism among locals and global investors in the Hong Kong residential market. Demand for rental properties increasing as a result of an influx of professionals in support of Hong Kong's economic growth implies sustainable rental growth. The Group therefore maintains an optimistic view of the property market for the coming years.

The Group will continue to explore opportunities in selected locations to develop premium quality property projects. Other opportunities to enhance the Group's income in Hong Kong are being explored by carrying out feasibility studies on the development of PCCW-owned telephone exchange buildings. Redevelopment of telephone exchanges represents a potential source of prime residential and commercial projects in coming years. The first telephone exchange redevelopment project is located at Wo Fung Street, west of Central. Completion is targeted for 2009.

The PRC Government had continued to launch a series of macroeconomic control measures to prevent mainland China's property market from overheating. These tightening measures are expected to result in healthier growth trends in the property sector. In addition, the Beijing 2008 Olympics are expected to bring about significant growth in property prices in the near-to-medium term. Improvement of city infrastructure and completion of metro lines should improve the traffic in Beijing, and most importantly, raise standards and values of residential projects located in the vicinity. Increasing business opportunities in mainland China will continue to impact positively on the Group's prospects.

Meanwhile, the Group's alliance with China Network Communications Group Corporation, formed to redevelop a number of telephone exchange properties, will continue to identify a number of attractive sites in mainland China for redevelopment in prime locations. This alliance is expected to offer vast opportunities to broaden the Group's development portfolio in mainland China's thriving property market.

While continuing to apply its expertise in the pursuit of operational excellence and in further reinforcing the Bel-Air brand name, the Group is also actively exploring development opportunities in other parts of the Asia-Pacific region to grow its core business and create value for the Group's shareholders.

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

Hong Kong, August 29, 2007

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); 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*