



Pacific Century
Premium Developments
盈科大衍地產發展

STOCK CODE: 0432

INTERIM REPORT

2007



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STATEMENT FROM THE CHAIRMAN



I am confident that PCPD's premium image will assist us as we continue to create other premium developments in the region.

The Hong Kong economy continued to enjoy robust growth in the first half of 2007, with 5.6% year-on-year GDP growth in the first quarter and unemployment rate falling to 4.3% in May. In addition, Hong Kong has remained as a preferred destination for foreign direct investment, ranking 6th in the world, with consistently strong inflow of capital over recent years.

Other positive factors include the Hong Kong stock market continuing to be a venue for raising funds for mainland Chinese companies, a 10.3% year-on-year growth in total exports for the first five months of 2007 as well as a booming tourism industry. All these factors have helped to provide sustained growth in the local economy.

In the local property market, our Bel-Air development continues to shine as a beacon for innovation and excellence in luxury residences. I am confident that the premium image of PCPD will assist us as we continue to create other premium developments in the region. Work is well under way on a significant project in Asia, where PCPD is exploring a vast and promising market.

As we develop our business at home and in other parts of the Asia-Pacific region, I would like to express my sincere thanks to our directors, as well as our management team and workforce, for the positive roles they have played in PCPD's continuing success story. I would also like to thank our shareholders and partners for their support.



Richard Li

Chairman

August 29, 2007

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER



Our staff and management demonstrate the skills, experience and vision that will keep PCPD in the vanguard of the premium property development business.

Pacific Century Premium Developments Limited (“PCPD”) recorded a consolidated turnover of approximately HK\$2,100 million for the six months ended June 30, 2007, compared with HK\$5,276 million for the corresponding period in 2006.

Net profit for the period was approximately HK\$606 million, compared with the previous year’s HK\$703 million, while earnings per share for the six months were 25.19 Hong Kong cents compared with 29.23 Hong Kong cents for the same period last year.

The Board of Directors has recommended an interim dividend of 1.5 Hong Kong cents per ordinary share for the six months ended June 30, 2007.

Sustained economic growth and growing wealth from rising salaries and a stock market boom saw residential property sales climb 36% during the first half of 2007, reaching about 65% of the figure for the whole of 2006. Overall capital values in the luxury residential sector rose 9.8% during the period under review compared with full-year growth of 2.9% in 2005 and 3.2% in 2006.

Sentiment in the residential market continues to be buoyant, thanks in part to incentives contained in the government’s budget and competitive mortgage rates offered by banks. Of particular importance to PCPD’s prospects is the fact that limited availability of land in Hong Kong’s traditional luxury residential areas is expected to boost high-end residential capital values continuously over the next 12 months. Demand in this sector will enhance the value of Bel-Air, which is widely regarded as the pinnacle of luxury accommodation in Hong Kong.

As an illustration of Bel-Air’s huge appeal to the high-end residential accommodation and luxurious lifestyle market, around 500 units of the development were sold within a few weeks during the first half of 2007, generating some HK\$8.8 billion in revenue. This sterling performance bodes well for units in the last two towers, expected to go on sale over the next 6 months, while the 29 Villa Bel-Air houses are expected to enter the market gradually over the next 2 to 3 years.

Moving forward, I am confident that the formidable power of the Bel-Air brand will benefit all our property projects in Hong Kong and throughout the Asia-Pacific region.

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

Meanwhile in mainland China, ground work has begun on an exciting luxury residential development project in Beijing's Chaoyang district on a site adjacent to our premium-grade investment property, Pacific Century Place. Development plans are currently awaiting government approval, with overall completion scheduled for 2009.

Back in Hong Kong, solid progress has been made on our first telephone exchange redevelopment project, with an expectation that some of the 150 high-quality boutique apartments west of Central will enter the market by the end of 2007 or early 2008.

The Group's property and facilities management division has accumulated substantial experience in the luxury residential accommodation sector, thanks to extensive responsibilities at the Bel-Air development. This complements a solid foundation in the management of office, retail, industrial and mission-critical telecommunications properties and strengthens the division's ability to earn a steady stream of revenue.

In their handling of projects and day-to-day operations, our staff and management have continued to demonstrate the skills, experience and vision that will keep PCPD in the vanguard of the premium property development business. This positions us well in our ongoing mission to seek out opportunities in Hong Kong, mainland China and throughout the Asia-Pacific region.



Robert Lee

Chief Executive Officer

August 29, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

A management's discussion and analysis of the unaudited consolidated financial results and operations relating to the business of Pacific Century Premium Developments Limited (the "Company") and its subsidiaries (the "Group") for the six months ended June 30, 2007 follows below:

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

INTERIM DIVIDEND

The board of directors of the Company 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.

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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.



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CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2007

HK\$ million	Note(s)	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

The notes on pages 22 to 34 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2007

HK\$ million	2007 (Unaudited)						Retained earnings	Total
	Issued equity	Capital reserve (note a)	Currency translation reserve	Convertible notes reserve	Employee share-based compensation reserve			
Balance at January 1, 2007	4,309	(565)	199	769	17	1,954	6,683	
Exchange differences	—	—	130	—	—	—	130	
Net income recognised directly in equity	—	—	130	—	—	—	130	
Profit for the period	—	—	—	—	—	606	606	
Total recognised income for the period	—	—	130	—	—	606	736	
Issue of new shares for exercise of share options (note 11)	12	—	—	—	—	—	12	
2006 final dividend paid	—	—	—	—	—	(132)	(132)	
Balance at June 30, 2007	4,321	(565)	329	769	17	2,428	7,299	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2007

HK\$ million	2006 (Unaudited)						Retained earnings	Total
	Issued equity	Capital reserve (note a)	Currency translation reserve	Convertible notes reserve	Employee share-based compensation reserve			
Balance at January 1, 2006	4,631	(565)	72	769	15	835	5,757	
Exchange differences	—	—	34	—	—	—	34	
Net income recognised directly in equity	—	—	34	—	—	—	34	
Profit for the period	—	—	—	—	—	703	703	
Total recognised income for the period	—	—	34	—	—	703	737	
Share premium reduction (note 11(c))	(322)	—	—	—	—	322	—	
Value of employee services under employee share option scheme	—	—	—	—	2	—	2	
2005 final dividend paid	—	—	—	—	—	(132)	(132)	
Balance at June 30, 2006	4,309	(565)	106	769	17	1,728	6,364	

- a. Capital reserve of the Group represents the difference between the carrying amounts of the net assets of Ipswich Holdings Limited, a then subsidiary of PCCW Limited (“PCCW”), and its subsidiaries (together the “Property Group”) and certain assets held by another subsidiary of PCCW and the stated value of the shares issued by Ipswich Holdings Limited in 2004 in exchange for the entire equity interests in the Property Group.

The notes on pages 22 to 34 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2007

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at June 30, 2007

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	10	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	10	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	11	4,321	4,309
Reserves		2,978	2,374
		7,299	6,683

The notes on pages 22 to 34 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended June 30, 2007

HK\$ million	2007 (Unaudited)	2006 (Unaudited)
Net cash used in operating activities	(361)	(406)
Investing activities		
Decrease in bank deposits with maturity more than three months	173	655
Purchase of property, plant and equipment	(4)	(13)
Instalments received from the disposal of unconsolidated subsidiaries	10	10
Net cash generated from investing activities	179	652
Financing activities		
Proceeds from shares issued under share option scheme	12	—
Dividend paid	(132)	(132)
Net cash used in financing activities	(120)	(132)
(Decrease)/increase in cash and cash equivalents	(302)	114
Exchange realignment	7	2
Cash and cash equivalents		
Balance at January 1,	2,445	2,699
Balance at June 30,	2,150	2,815
Analysis of cash and cash equivalents		
Cash and bank balances	2,585	5,915
Less: Restricted cash	(435)	(3,100)
Cash and cash equivalents at June 30,	2,150	2,815

The notes on pages 22 to 34 form part of these unaudited condensed consolidated financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2007

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial information of Pacific Century Premium Developments Limited (the “Company”) and its subsidiaries (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 unaudited condensed consolidated financial information have been reviewed by the Company’s Audit Committee, and the Company’s external auditor 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 HKICPA.

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:

HK\$ million	Property development		Property investment		Other businesses		Elimination		Consolidated	
	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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2007

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2007

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		
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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2007

10. PROVISIONS

HK\$ million	2007		
	Payment to the Government (note a)	Others	Total
Balance at January 1, 2007	3,480	25	3,505
Additional provisions included in properties under development	4,346	—	4,346
Additional provisions made	—	24	24
Provisions settled	(1,806)	(25)	(1,831)
Balance at June 30, 2007	6,020	24	6,044
Less: Amount classified as current liabilities	(1,439)	(24)	(1,463)
	4,581	—	4,581

HK\$ million	2006		
	Payment to the Government (note a)	Others	Total
Balance at January 1, 2006	6,705	29	6,734
Additional provisions included in properties under development	90	—	90
Additional provisions made	—	15	15
Provisions settled	(1,162)	(17)	(1,179)
Balance at June 30, 2006	5,633	27	5,660
Less: Amount classified as current liabilities	(4,910)	(27)	(4,937)
	723	—	723

10. PROVISIONS – CONTINUED

- a. Pursuant to the Cyberport Project Agreement, the Government of the Hong Kong Special Administration Region (“HKSAR”) shall be entitled to receive payments of approximately 65 per cent from the surplus cash flow arising from the sales of the residential portion of the Cyberport project, net of certain allowable costs incurred on the project, as stipulated under certain terms and conditions of the Cyberport Project Agreement. Provision for payment to the Government of the HKSAR is included in properties under development as the amount is considered as a part of the development costs for the Cyberport project. The provision is based on estimated sales proceeds of the residential portion of the project and the estimated development costs of the Cyberport project. The estimated amount to be paid to the Government of the HKSAR during the forthcoming year is classified as current liabilities.

11. ISSUED EQUITY

	The Group	
	Number of shares (note a)	Issued equity HK\$ million (note a)
Ordinary shares of HK\$0.10 each at January 1, 2007	2,402,459,873	4,309
Issue of new shares from exercise of share options (note d)	5,000,000	12
Ordinary shares of HK\$0.10 each at June 30, 2007	2,407,459,873	4,321

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2007

11. ISSUED EQUITY – CONTINUED

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

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

	The Company	
	Number of shares	Issued equity HK\$ million
Authorised:		
Ordinary shares of HK\$0.10 each at June 30, 2007 and December 31, 2006	10,000,000,000	1,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at December 31, 2006	2,402,459,873	240
Issue of new shares from exercise of share options (note d)	5,000,000	1
Ordinary shares of HK\$0.10 each at June 30, 2007	2,407,459,873	241

c. On May 16, 2006, a special resolution was passed at the Company's Annual General Meeting approving the reduction of share premium by cancelling a sum of approximately HK\$322 million standing to the credit of the Company's share premium account against the accumulated losses of the Company of same amount.

d. During the period, 5,000,000 share options were exercised by an eligible option holder at HK\$2.375 for a total cash consideration of HK\$11,875,000 resulting in the issue of 5,000,000 new ordinary shares of HK\$0.10 each.

12. CAPITAL COMMITMENTS

HK\$ million	June 30, 2007	December 31, 2006
Authorised and contracted for	1,962	1,739
Authorised but not contracted for	885	659
	2,847	2,398

13. CONTINGENT LIABILITIES

The contingent liabilities of the Group not provided for in the unaudited condensed consolidated financial information are set out as follows:

HK\$ million	June 30, 2007	December 31, 2006
Performance guarantee	1	1

14. BANKING FACILITY

An indirect wholly-owned subsidiary of the Company had been granted a banking facility amounting to approximately HK\$20 million from a bank for the purpose of providing guarantee to the Government of the HKSAR. Such facility is to be secured by a bank deposit placed by the subsidiary from time to time to secure the amount of guarantee issued by the bank. No guarantee was issued by the bank under this banking facility as at June 30, 2007 and December 31, 2006.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2007

15. MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by PCCW, a company incorporated in Hong Kong, which owns 61.53 per cent (December 31, 2006: 61.66 per cent) of the Company's shares. The remaining 38.47 per cent (December 31, 2006: 38.34 per cent) of the shares are widely held. PCCW is also regarded as the ultimate holding company of the Group.

The following transactions were carried out with related parties:

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

HK\$ million	Six months ended June 30,	
	2007	2006
Sales of services:		
- Fellow subsidiaries		
Facility management services	25	21
Office leases rental	6	5
- Related companies		
Facility management services	12	11
Office leases rental	1	—
Purchases of services:		
- Fellow subsidiaries		
Corporate services	2	3
Office sub-licences	4	4
Information technology and other logistic services	5	3
- Related company		
Corporate services	1	—

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

The related party transactions in respect of items above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of The Stock Exchange of Hong Kong Limited's listing rules.

15. MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

b. Details of key management compensation

HK\$ million	Six months ended June 30,	
	2007	2006
Salaries and other short-term employee benefits	9	9
Bonuses	21	7
Directors' fees	—	—
Post-employment benefits	1	1
	31	17
Share-based compensation accounting adjustment (note (i))	—	1
	31	18

(i) Share-based compensation accounting adjustment involves calculation of the fair value of share options granted to certain directors under PCCW's share option scheme using trinomial option pricing model. The figures shown in the above table do not represent realisable gains which are affected by a combination of a number of factors, including, performance of PCCW's share price, vesting period and timing of exercise.

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

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

HK\$ million	June 30,	December 31,
	2007	2006
Receivables from related parties:		
- Fellow subsidiaries	10	5
- Related companies	3	5
	13	10
Payables to related parties:		
- Fellow subsidiaries	16	17

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2007

15. MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

d. Loans from/amounts due to related parties

- (i) The movement of the amount due to ultimate holding company of HK\$202 million as at June 30, 2007 (December 31, 2006: HK\$1,195 million) is as follows:

HK\$ million	Six months ended June 30,	
	2007	2006
Loan from/amount due to ultimate holding company:		
Balance at January 1,	1,195	3,180
Repayment	(993)	(638)
Balance at June 30,	202	2,542

The balance due to ultimate holding company as at June 30, 2007 is interest free and is recorded under the current liabilities in the condensed consolidated balance sheet.

- (ii) The loan from a fellow subsidiary represents the convertible notes (tranche B note due 2014) with face value of HK\$2,420 million. The movements of the loan from a fellow subsidiary of HK\$2,572 million as at June 30, 2007 (December 31, 2006: HK\$2,548 million) are as follows:

HK\$ million	Six months ended June 30,	
	2007	2006
Loan from a fellow subsidiary:		
Balance at January 1,	2,548	2,499
Interest expenses	12	12
Interest amount payable included in amounts due to fellow subsidiaries	(12)	(12)
Provision for redemption premium	24	24
Balance at June 30,	2,572	2,523

GENERAL INFORMATION

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

As at June 30, 2007, the directors and the chief executive of the Company and their associates had the following interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

1. The Company

As at June 30, 2007, the Company had not been notified of any interests or short positions in the shares or underlying shares or debentures of the Company held by the directors or the chief executive of the Company or their associates.

2. Associated Corporation of the Company

A. Interests in PCCW Limited ("PCCW")

The table below sets out the aggregate long positions of the directors and the chief executive of the Company in the shares and underlying shares of PCCW, the ultimate holding company of the Company, as at June 30, 2007.

Name of director/ chief executive	Number of ordinary shares				Number of underlying shares held under equity derivatives	Total	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests			
Li Tzar Kai, Richard	—	—	250,109,824 <i>(Note I(a))</i>	1,650,518,335 <i>(Note I(b))</i>	—	1,900,628,159	28.06%
Alexander Anthony Arena	760,000	—	—	—	15,800,200 <i>(Note II)</i>	16,560,200	0.24%
Lee Chi Hong, Robert	992,600 <i>(Note IV(a))</i>	511 <i>(Note IV(b))</i>	—	—	6,000,000 <i>(Note III)</i>	6,993,111	0.10%
James Chan	—	—	—	—	210,000 <i>(Note III)</i>	210,000	0.003%
Gan Kim See, Wendy	—	—	—	—	420,000 <i>(Note III)</i>	420,000	0.006%

GENERAL INFORMATION

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

2. Associated Corporation of the Company - Continued

A. Interests in PCCW Limited (“PCCW”) - Continued

Notes:

- I. (a) Of these shares of PCCW, Pacific Century Diversified Limited (“PCD”), a wholly-owned subsidiary of Chiltonlink Limited, held 216,362,824 shares and Eisner Investments Limited held 33,747,000 shares. Li Tzar Kai, Richard owns 100% of Chiltonlink Limited and Eisner Investments Limited.
- (b) These interests represented:
 - (i) a deemed interest in 36,726,857 shares of PCCW held by Yue Shun Limited, a subsidiary of Hutchison Whampoa Limited (“HWL”). Cheung Kong (Holdings) Limited (“Cheung Kong”) through certain subsidiaries held more than one-third of the issued share capital of HWL. Li Tzar Kai, Richard was a discretionary beneficiary of certain discretionary trusts which held units in unit trusts which in turn held interests in certain shares of Cheung Kong and HWL. Li Tzar Kai, Richard was also interested in one-third of the issued share capital of two companies, which owned all the shares in the trustee companies which acted as trustees of such discretionary trusts and unit trusts. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 36,726,857 shares of PCCW held by Yue Shun Limited;
 - (ii) a deemed interest in 87,018,177 shares of PCCW held by Pacific Century Group Holdings Limited (“PCGH”). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 87,018,177 shares of PCCW held by PCGH; and
 - (iii) a deemed interest in 1,526,773,301 shares of PCCW held by Pacific Century Regional Developments Limited (“PCRD”), a company in which PCGH had, through wholly-owned subsidiaries Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 75.33% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,526,773,301 shares of PCCW held by PCRD.
- II. These interests represented Alexander Anthony Arena's beneficial interest in: (a) 200 underlying shares held in the form of 20 American Depositary Receipts which constituted listed equity derivatives; and (b) 15,800,000 underlying shares in respect of share options granted by PCCW to Alexander Anthony Arena as beneficial owner, details of which are set out in Note III below.

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

2. Associated Corporation of the Company - Continued

A. Interests in PCCW Limited (“PCCW”) - Continued

Notes: - Continued

III. These interests represented the interests in underlying shares in respect of share options granted by PCCW to the directors and the chief executive of the Company as beneficial owners as at June 30, 2007, details of which are set out as follows (all dates are shown month/day/year):

Name of director/ chief executive	Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of options	
					Outstanding at 01.01.2007	Outstanding at 06.30.2007
Alexander Anthony Arena	08.28.1999	08.17.2000 to 08.17.2004	08.17.2000 to 08.17.2009	11.780	3,200,000	3,200,000
	08.26.2000	08.26.2001 to 08.26.2005	08.26.2001 to 08.26.2010	60.120	1,600,000	1,600,000
	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	16.840	1,600,000	1,600,000
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	6,400,000	6,400,000
	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.475	3,000,000	3,000,000
Lee Chi Hong, Robert	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	5,000,000	5,000,000
	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.475	1,000,000	1,000,000
James Chan	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	210,000	210,000
Gan Kim See, Wendy	01.22.2001	01.22.2002 to 01.22.2004	01.22.2002 to 01.22.2011	16.840	180,000	180,000
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	240,000	240,000

GENERAL INFORMATION

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

2. Associated Corporation of the Company - Continued

A. Interests in PCCW Limited (“PCCW”) - Continued

Notes: - Continued

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

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

B. Short Positions in the Shares and Underlying Shares of PCCW

As at June 30, 2007, the Company had not been notified of any short positions in the shares or underlying shares or debentures of PCCW held by the directors or the chief executive of the Company or their associates.

SHARE OPTIONS SCHEMES

In order to align the terms of the share option scheme of the Company with those of PCCW and in view of the limited number of shares capable of being issued relative to the current capital base of the Company, under the 2003 share option scheme, which was approved and adopted on March 17, 2003 and was valid for 10 years after the date of adoption, the shareholders of the Company approved the termination of the 2003 share option scheme and adoption of a new share option scheme (the “2005 Scheme”) at the Company’s annual general meeting held on May 13, 2005. The 2005 Scheme became effective on May 23, 2005 following its approval by the shareholders of PCCW. No further share options will be granted under the 2003 share option scheme following its termination, but the provisions of such scheme will remain in full force and effect with respect to the options granted prior to its termination.

Under the 2005 Scheme, the board of directors of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares in the Company subject to the terms and conditions stipulated in the 2005 Scheme. The exercise price of the options under the 2005 Scheme is determined by the board of directors of the Company in its absolute discretion but in any event shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange for the five days last preceding the date of grant on which days it has been possible to trade shares on the Stock Exchange; and (iii) the nominal value of the share of the Company on the date of grant. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2005 Scheme and any other share option schemes of the Company must not exceed 30 per cent of the shares in issue from time to time. In addition, the maximum number of shares in respect of which options may be granted under the 2005 Scheme shall not (when aggregated with any shares subject to any grants made after May 23, 2005 pursuant to any other share option schemes of the Company) exceed 10 per cent of the issued share capital of the Company on May 23, 2005 (or some other date if renewal of this limit is approved by shareholders). No share options have been granted under the 2005 Scheme since its adoption.

GENERAL INFORMATION

SHARE OPTIONS SCHEMES – CONTINUED

Details of the options which have been granted and outstanding under the 2003 share option scheme during the six months ended June 30, 2007 are as follows:

1. Outstanding options at January 1, 2007 and at June 30, 2007

Category of participant	Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of options	
					Outstanding at 01.01.2007	Outstanding at 06.30.2007
Directors of the Company's subsidiary	12.20.2004	Fully vested on 12.20.2004	12.20.2004 to 12.19.2014	2.375	10,000,000	5,000,000

Note: All dates are shown month/day/year

2. Options granted during the six months ended June 30, 2007

During the period under review, no share options were granted.

3. Options exercised during the six months ended June 30, 2007

Category of participant	Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of shares acquired on exercise of options	Closing price of the shares immediately before the date on which the options was exercised
						HK\$
Director of the Company's subsidiary	12.20.2004	Fully vested on 12.20.2004	12.20.2004 to 12.19.2014	2.375	5,000,000	2.460

Save as disclosed above, during the period under review, no share options were exercised.

4. Options cancelled or lapsed during the six months ended June 30, 2007

During the period under review, no share options were cancelled or lapsed.

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

INTERESTS AND SHORT POSITIONS IN SHARES OF SUBSTANTIAL SHAREHOLDERS

1. Interests in the Company

As at June 30, 2007, the following persons (other than directors or the chief executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares/ underlying shares held	Percentage of issued share capital
PCCW	Beneficial owner	2,153,555,555 <i>(Note I)</i>	89.45%
Desmarais Paul G.	Investment manager	146,441,000 <i>(Note II)</i>	6.08%
Nodex Inc.	Investment manager	146,441,000 <i>(Note II)</i>	6.08%
Gelco Enterprises Ltd.	Investment manager	146,441,000 <i>(Note II)</i>	6.08%
Power Corporation of Canada	Investment manager	146,441,000 <i>(Note II)</i>	6.08%
Power Financial Corporation	Investment manager	146,441,000 <i>(Note II)</i>	6.08%
IGM Financial Inc.	Investment manager	146,441,000 <i>(Note II)</i>	6.08%
Peter Cundill & Associates (Bermuda) Ltd.	Investment manager	124,952,000	5.19%
OZ Management, L.L.C.	Investment manager	120,498,000	5.01%
ZFIC, Inc.	Investment manager	120,309,000 <i>(Note III)</i>	5.00%
Artisan Partners Limited Partnership	Investment manager	120,309,000 <i>(Note III)</i>	5.00%

Notes:

- I. These interests represented (a) an interest in 1,481,333,333 shares in the Company held by Asian Motion Limited, a wholly-owned subsidiary of PCCW; and (b) an interest in respect of 672,222,222 underlying shares in the Company held by PCCW-HKT Partners Limited, a wholly-owned subsidiary of PCCW, arising as a result of the holding of the HK\$2,420 million guaranteed convertible note issued by PCPD Wealth Limited, a wholly-owned subsidiary of the Company, on December 29, 2006.
- II. Each of the entities and the individual has direct or indirect control over an investment manager Mackenzie Cundill Investment Management Ltd. and is therefore deemed to be interested in the 146,441,000 shares of the Company held by Mackenzie Cundill Investment Management Ltd.
- III. ZFIC, Inc. owns 100% of Artisan Partners Limited Partnership and is therefore deemed to be interested in 120,309,000 shares of the Company held by Artisan Partners Limited Partnership.

GENERAL INFORMATION

INTERESTS AND SHORT POSITIONS IN SHARES OF SUBSTANTIAL SHAREHOLDERS – CONTINUED

2. Short Positions in the Shares and Underlying Shares of the Company

As at June 30, 2007, the Company had not been notified of any other person who had short positions in the shares or underlying shares of the Company to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed above, as at June 30, 2007, the Company had not been notified of any other person who had interests or short positions in the shares and underlying shares of the Company to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2007, 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 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 (the "Code") set out in Appendix 14 to the Listing Rules 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.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted its own code of conduct regarding securities transactions by directors and senior management, namely the PCPD Code of Conduct for Securities Transactions by Directors and Senior Management (“PCPD Code”), on terms not less exacting than the required standard under the Model Code set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiry of all directors of the Company, who have confirmed that they have complied with the required standard set out in the PCPD Code for the six months ended June 30, 2007.

INVESTOR RELATIONS

LISTING

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited and the stock code is 0432.

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

BOARD OF DIRECTORS

Executive Directors

Li Tzar Kai, Richard (*Chairman*)
Alexander Anthony Arena (*Deputy Chairman*)
Lee Chi Hong, Robert (*Chief Executive Officer*)
James Chan
Gan Kim See, Wendy

Independent Non-Executive Directors

Cheung Kin Piu, Valiant
Tsang Link Carl, Brian
Prof Wong Yue Chim, Richard, SBS, JP
Dr Allan Zeman, GBS, JP

COMPANY SECRETARY

Chan Ya Lai, Alice

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 701-705, Level 7
Cyberport 3
100 Cyberport Road
Hong Kong
Telephone: +852 2514 3990
Fax: +852 2514 3945

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong
Telephone: +852 2862 8628
Fax: +852 2529 6087
Email: hkinfo@computershare.com.hk

INVESTOR RELATIONS

David Woo
Pacific Century Premium Developments Limited
Units 701-705, Level 7
Cyberport 3
100 Cyberport Road
Hong Kong
Telephone: +852 2883 6130
Fax: +852 2514 1757
Email: david.kw.woo@pcpd.com

WEBSITE

www.pcpd.com

PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED

(Incorporated in Bermuda with limited liability)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

UNITS 701-705, LEVEL 7, CYBERPORT 3, 100 CYBERPORT ROAD, HONG KONG

TELEPHONE: 2514 3990 FACSIMILE: 2514 3945

www.pcpd.com