

Litigation Regarding The Cyberport Project

Hong Kong, May 23, 2010

Pacific Century Premium Developments Limited ("PCPD" or "Company" SEHK: 00432), a majority-owned subsidiary of PCCW Limited ("PCCW", SEHK: 00008), has commenced legal proceedings against Hong Kong Cyberport Management Company Limited ("HKCMCL") and its affiliates (both Hong Kong Government owned) with regards to the funding of a Development Maintenance Account ("DMA/C") established for the upkeep and maintenance of certain facilities at the Government's Cyberport project, following the Government's action of launching litigation against a subsidiary of the Company on Thursday May 20, 2010.

HKCMCL, a 100% owned entity of the Hong Kong Government argues that a substantial additional amount needs to be set aside into a maintenance account which, without notice or consultation they have assessed at HK\$1.7 billion. PCPD disagrees with this action and the Company says that the Government has changed the basis on which they are calculating this amount.

The parties have been unable to reach resolution and the Government launched litigation on Thursday May 20, 2010. In response, PCPD has taken action to protect the interests of its shareholders. As disclosed in the Hong Kong Stock Exchange announcement ("Announcement") at the top of page two of the document, PCPD believes having taken lawyers' advice that it has a very good chance of winning this case based on known facts and circumstances at this time.

Key points of the situation are as follows:

Cyberport, a Hong Kong Government owned project, was developed in partnership with a PCPD subsidiary and consists of two parts: residential, which was marketed and managed by PCPD; and commercial, including the office, hotel and retail with a focus on information technology and services companies. The commercial portion of Cyberport was handed over to the Government upon completion in 2004.

In the agreement signed in 2000, the Hong Kong Government and PCPD's subsidiary set aside HK\$200 million in the DMA account. It was agreed this DMA/C, would be funded from surplus proceeds generated from the sale of units in the residential portion of Cyberport.

The final amount of the maintenance fund was agreed to be reassessed finally in 2009, five years after the Government took over the Cyberport portion.

Assessment of the amount for the DMA/C was to be based on criteria set out at the bottom of page two of the Announcement:

1. Total of the full replacement of the IT facilities against the original cost of those facilities;
2. The 'accumulated deficit', if any, the government incurred in the first five years after taking over the project.

The assessment requires certification by HKCMCL's auditors. If it was assessed that the amount exceeded HK\$200 million, the amount would be revised. In 2004, the maintenance fund was provisionally revised to HK\$500 million. The final amount of the maintenance fund was agreed to be reassessed finally in 2009, five years after the government took over the Cyberport project. As set out in page four of the Announcement, in 2006, a Government representative told LegCo that it was unlikely the amount for the maintenance fund needed to be further increased.

The Government previously presented to LegCo that the operating loss on a cash basis would be covered by the maintenance fund and they envisaged a positive cash flow operation by 2009/10.

Over the years, the Government has guided LegCo that the Cyberport Project was generating improving operating revenues and surpluses, and in 2010 the Government reported Cyberport had a healthy financial position. Since the Cyberport Project started, the Government and Cyber-Port Limited ("CPL"), PCPD's wholly-owned subsidiary, have both received significant distributions given the financial health of the project - including as recently as July and October last year. PCPD believes that the Cyberport project has been a success story for all parties.

In late 2009, PricewaterhouseCoopers performed limited verification procedures on the Government's purported assessment of the maintenance funds needed. PCPD was not consulted on this assessment and the Company does not believe this verification meets the standards of 'certification' set out in the original agreement.

On December 24, 2009, the Government informed PCPD of their purported final assessment and that an HK\$1.7billion (an extra HK\$1.2 billion) should be transferred into the maintenance fund account. Once the purported final assessment was made known, PCPD tried to enter into discussions with the Government, however without resolution.

HK\$1.1 billion of that amount was depreciation. On no previous occasion has the Government indicated that it would argue depreciation of the facilities should be included into the assessment. Furthermore, PCPD's position is that this was neither the method of calculation originally agreed upon nor the method used for the provisional assessment conducted in 2004.

PCPD is surprised by the Government's assessment because they did not use the previously agreed calculation methods. If the Government used the originally agreed calculation methods, the existing maintenance fund would have ample cash reserves to meet the contractual obligations.

On May 20, 2010, the Government commenced legal proceedings against PCPD's subsidiary by way of an originating summons and is seeking confirmation on its final assessment of the maintenance fund. PCPD does not consider the originating summons to be an appropriate way to resolve the dispute. In response to the Government's legal actions, PCPD is contesting the final assessment in order to protect shareholders' interests and the group's legal rights.

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About PCPD

Majority-owned by PCCW Limited ("PCCW"), Pacific Century Premium Developments Limited ("PCPD" or the "Group") is principally engaged in the development and management of premium property and infrastructure projects, as well as investment in premium-grade buildings, in the Asia-Pacific region.

For media inquiries, please call
Alfred Siu
Corporate Communications
Tel: 852 2514 3914
Email: alfred.wt.siu@pcpd.com