



Pacific Century
Premium Developments
盈科大衍地產發展

STOCK CODE: 00432

INTERIM REPORT
2009



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STATEMENT FROM THE CHAIRMAN

THE COMPANY CONSTANTLY REVIEWS ITS
INVESTMENT STRATEGY IN RESPONSE TO
CHANGES IN MARKET CONDITIONS.

STATEMENT FROM THE CHAIRMAN

The global financial crisis and the resultant recession have continued to impact on the local economy, causing Hong Kong's GDP to fall 3.8% in real terms for the second quarter of 2009.

Despite a difficult external environment fraught with uncertainty, general economic sentiment in Hong Kong has improved following a rally in the stock and property markets.

We believe that comparatively low interest rates and the Hong Kong Government's financial stimulus package are giving rise to a promising long-term outlook for the local property scene. Furthermore, a limited supply of premium residential accommodation bodes well for the luxury end of the market, which is expected to recover steadily.

Further afield, our landmark development projects in Hokkaido in Japan and Phang-nga in southern Thailand are showing marked progress.

The Company constantly reviews its investment strategy in response to changes in market conditions. As a result of a recent surge in mainland China's property market, particularly in Beijing where property prices and transaction volumes have rebounded, we will adjust our strategy with regards to our portfolio in the capital in order to maximise our return on investment.

A strong cash position will enable the Company to take advantage of large-scale investment opportunities that may exist at favorably discounted prices in a market where sizeable capital is in short supply during the global economic downturn.

It is therefore consistent with this strategy to maintain and strengthen our financial capability that our financial management policy in general is to reserve sufficient cash for business operation and expansion before any dividend is considered.

I believe this is in the best interests of the Company, which will continue to identify investments with significant growth potential worldwide, with the aim of increasing the value of the Company.



Richard Li

Chairman

August 20, 2009

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

I AM CONFIDENT THAT OUR STAFF AND
MANAGEMENT WILL CONTINUE TO
DEMONSTRATE SKILL, EXPERIENCE,
PASSION AND VISION IN THEIR GLOBAL
PURSUIT OF PRIME OPPORTUNITIES.

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

I am pleased to report that the Group's consolidated turnover for the six months ended June 30, 2009 was approximately HK\$2,306 million, compared with HK\$618 million for the corresponding period in 2008. Consolidated operating profit for the six months ended June 30, 2009 was approximately HK\$306 million, comparing to approximately HK\$69 million for the corresponding period in 2008. Consolidated net profit for the period under review reached HK\$159 million, compared with HK\$5 million for the same period in the previous year. Basic earnings per share for the six months were 6.63 Hong Kong cents, compared with 0.2 Hong Kong cent for the same period in 2008.

The Board of Directors did not declare an interim dividend for the six months ended June 30, 2009.

The financial crisis and global recession began last year, plunging Hong Kong and the rest of the world into a period of uncertainty, and we have been operating in a difficult environment.

According to the Government's Half-yearly Economic Report 2009, Hong Kong's GDP for the whole of 2009 is forecast to contract by 3.5% to 4.5% in real terms, following a considerable markdown in terms of the world's economic outlook.

Nevertheless, as a player in Hong Kong's premium residential market, PCPD has confidence in long-term prospects for the local property market, which is benefiting from low interest rates, the Government's fiscal stimulus package and a limited supply of luxury accommodation.

Handover of units at Bel-Air No. 8 commenced in mid-November 2008 and continued smoothly during the period under review, while remaining houses at Villa Bel-Air will be released to the market over the next two years. Our high-end residential development, ONE Pacific Heights in the west of Central, was completed in July this year.

At regional level, we believe property markets show promise over the long term. This viewpoint is based on a recent recovery throughout various economies, improvement in economic sentiment and signs that the economy in mainland China is set to return to faster growth, following implementation of stimulus measures by the PRC Government. Rebounding property prices and transaction volumes indicate that Beijing's property market is improving. We will continue to monitor market sentiment in mainland China and adjust our strategy accordingly.

Furthermore, steady progress is being made on our long-term projects to develop world-class all-season luxury resorts at Hokkaido in Japan and Phang-nga in southern Thailand, for which master layout plans and marketing strategies are progressing well.

Finally, I am confident that our staff and management will continue to demonstrate skill, experience, passion and vision in their global pursuit of prime opportunities.



Robert Lee
Chief Executive Officer
August 20, 2009

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, 2009 follows below:

BUSINESS REVIEW

Property development in Hong Kong

Revenue from the property development in Hong Kong for the six months ended June 30, 2009 amounted to approximately HK\$2,109 million, compared with approximately HK\$416 million for the corresponding period in 2008.

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

Subsequent to June 30, 2009, the eleventh batch of net surplus proceeds from the Cyberport project, totalling HK\$2,639 million, was allocated between the HKSAR Government and the Group in July 2009, in accordance with the Cyberport Project Agreement. The HKSAR Government received approximately HK\$1,703 million, while the Group retained approximately HK\$936 million.

The Group's first telephone exchange redevelopment project, located in Wo Fung Street to the west of Central and named ONE Pacific Heights, was completed in July this year. The 39-storey project comprises 155 luxury boutique apartments ranging from 531 to 1,727 square feet in size.

Property investment in mainland China

Home to multinational corporations, world-class retailers and residential tenants, Pacific Century Place, the Group's investment property in Beijing's central business district, enjoyed an average occupancy rate of approximately 73 per cent for the six months ended June 30, 2009.

The Group's gross rental income for the six months ended June 30, 2009 amounted to approximately HK\$107 million, compared with approximately HK\$115 million for the same period in 2008.

Other businesses

Other businesses of the Group include property developments in mainland China, Thailand and Japan, property management, facilities management, as well as ski operation. Revenue from other businesses for the six months ended June 30, 2009 amounted to approximately HK\$90 million, compared with approximately HK\$87 million for the corresponding period in 2008.

FINANCIAL REVIEW

Review of results

The Group recorded a consolidated turnover of approximately HK\$2,306 million for the six months ended June 30, 2009, representing an increase of 273 per cent compared with approximately HK\$618 million for the corresponding period in 2008. The increase in turnover was mainly due to revenue being recognised from the sales of one major phase of the Bel-Air project took place during the period.

The Group's consolidated gross profit for the six months ended June 30, 2009 was approximately HK\$382 million, representing an increase of 47 per cent from approximately HK\$260 million for the same period in 2008. The increase in consolidated gross profit resulted from the increase in turnover.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Group's consolidated operating profit for the six months ended June 30, 2009 was approximately HK\$306 million, comparing to approximately HK\$69 million for the corresponding period in 2008.

The Group recorded consolidated net profit of approximately HK\$159 million for the six months ended June 30, 2009, representing an increase of 3,080 per cent compared with approximately HK\$5 million for the same period in 2008. The increase was attributable to an increase in turnover and other income. Basic earnings per share during the period were 6.63 Hong Kong cents compared with 0.2 Hong Kong cent for the corresponding period in 2008.

In accordance with applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), revenue and profits from the sale of property development are recognised on completion of the development, when the inflow of economic benefits associated with the property sales transactions is assessed to be probable and significant risks and rewards of ownership have been transferred.

Current assets and liabilities

As at June 30, 2009, the Group held current assets of approximately HK\$10,617 million (December 31, 2008: approximately HK\$13,825 million), mainly comprising properties under development/held for sale, cash and bank balances, sales proceeds held in stakeholders' accounts and restricted cash. The decrease in current assets was attributable to a decrease in sales proceeds held in stakeholders' accounts. Properties under development/held for sale in current assets have decreased from approximately HK\$2,402 million as at December 31, 2008 to approximately HK\$1,145 million as at June 30, 2009. Cash and bank balances amounted to approximately HK\$3,242 million as at June 30, 2009 (December

31, 2008: approximately HK\$1,654 million). Sales proceeds held in stakeholders' accounts decreased by 66 per cent from approximately HK\$6,994 million as at December 31, 2008 to approximately HK\$2,364 million as at June 30, 2009. Restricted cash increased from approximately HK\$720 million as at December 31, 2008 to approximately HK\$2,745 million as at June 30, 2009.

Total current liabilities as at June 30, 2009 amounted to approximately HK\$5,284 million compared with approximately HK\$7,428 million as at December 31, 2008. The decrease resulted mainly from decrease in payable to the HKSAR Government under the Cyberport Project Agreement.

Capital structure, liquidity and financial resources

As at June 30, 2009, total Group borrowings amounted to approximately HK\$2,669 million, representing an increase of HK\$24 million amortised redemption premium compared with total borrowings of approximately HK\$2,645 million as at December 31, 2008. As at June 30, 2009, all the Group's borrowings were from PCCW group, representing the tranche B convertible note of HK\$2,420 million carrying a fixed interest rate of 1 per cent per annum and becoming repayable at 120 per cent of the outstanding principal amount at maturity in 2014. Gearing ratio is not provided as all borrowings are from PCCW, the Company's majority shareholder.

The Group's business transactions, assets and liabilities were primarily denominated in Hong Kong dollars. Renminbi-denominated revenue and Japanese-denominated revenue represented approximately 4.8 per cent and 1.5 per cent of the Group's total turnover respectively, while PRC assets, Thailand assets and Japan assets represented approximately 31.2 per cent, 3.4 per cent and 2.6 per cent of the Group's total assets, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

All the Group's borrowings were denominated in Hong Kong dollars. Cash and bank balances were held mainly in Hong Kong dollars, with the remaining balance in US dollars, Renminbi, Thai Baht and Japanese Yen. As the Group has certain investment in foreign operations, net assets are exposed to foreign currency translation risks. The Group's currency exposure in respect of these operations is mainly from Renminbi, Thai Baht and Japanese Yen.

Cash generated from operating activities for the six months ended June 30, 2009 was approximately HK\$1,626 million, compared with cash used for operating activities of approximately HK\$177 million for the same period in 2008.

Income tax

Income tax for the six months ended June 30, 2009 was approximately HK\$80 million compared with approximately HK\$41 million for the same period in 2008.

Contingent liabilities

As at December 31, 2008, the Group had an outstanding performance guarantee of approximately HK\$1 million granted to the HKSAR Government for certain entrustment works in relation to the Cyberport project. There was no such performance guarantee outstanding as at June 30, 2009.

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2009, the Group employed 429 staff, most of whom were based in Hong Kong. The Group's remuneration policies, which are in line with prevailing industry practices, have been formulated on the basis of performance and experience and are reviewed regularly. Bonuses are paid on a discretionary basis, according to individual and Group performance. The Group also provides comprehensive benefits including medical insurance, choice of provident fund or mandatory provident fund and training programmes.

The Company's share option scheme adopted on March 17, 2003 was terminated on May 13, 2005 and replaced by a new share option scheme, which was adopted on May 23, 2005, following approval from PCCW's shareholders. The new share option scheme is valid and effective for a period of 10 years from the date of adoption.

INTERIM DIVIDEND

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

The Board had not recommended the payment of a final dividend for the year ended December 31, 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUBSEQUENT MATERIAL EVENT

On August 20, 2009, the Group entered into a sale and purchase agreement to sell the residential development at Lot No.4, Gong Ti Bei Lu in Beijing's Chaoyang district to an independent third party for a consideration of US\$118 million. Disposal of this property constitutes a discloseable transaction under the Listing Rules. For details of this transaction, please refer to a separate announcement, under the heading of "DISCLOSEABLE TRANSACTION – PROPOSED DISPOSAL OF A SUBSIDIARY HAVING AN INDIRECT INTEREST IN A PROJECT SITE IN BEIJING", which was published on the same date.

OUTLOOK

Although the global financial tsunami has been creating a challenging environment for the Hong Kong economy since late 2008, the local property market showed signs of moderate recovery in terms of volume, prices and sentiment during the first six months of 2009.

Despite uncertainty at the macroeconomic level, low interest rates, limited supply of high-end luxury accommodation and a fiscal stimulus package introduced by the HKSAR Government are keeping demand for luxury residential housing reasonably intact. With these factors in mind, the Group maintains a cautiously optimistic view of the local property market, as well as the economic outlook, over the long term.

PCPD's luxury houses at Villa Bel-Air are expected to be released to the market over the next two years, while ONE Pacific Heights, the Company's first telephone exchange redevelopment project, was completed in July this year.

Meanwhile, steady progress is being made on long-term projects to develop world-class all-season luxury resort complexes at Hanazono, Hokkaido in Japan – where a ski operation has already been established – and at Thai Muang Beach, Phang-nga in southern Thailand.

Maintaining a cautiously prudent approach, the Group continues to explore investment opportunities around the world that show substantial growth potential.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Chairman

Aged 42, is an executive director and the chairman of Pacific Century Premium Developments Limited (“PCPD”), chairman of PCPD’s Executive Committee, a member of PCPD’s Remuneration Committee and Nomination Committee. He is also the chairman of PCCW Limited (“PCCW”), chairman of PCCW’s Executive Committee, chairman and chief executive of the Pacific Century Group and chairman of Singapore-based Pacific Century Regional Developments Limited (“PCRD”). He became a director of PCPD in May 2004.

Mr Li is a non-executive director of The Bank of East Asia, Limited. He is a representative of Hong Kong, China to the Asia Pacific Economic Co-operation Business Advisory Council, a member of the Center for Strategic and International Studies’ International Councillors’ Group in Washington, D.C. and a member of the Global Information Infrastructure Commission.

Alexander Anthony ARENA

Deputy Chairman

Aged 58, is an executive director and the deputy chairman of PCPD and a member of PCPD’s Executive Committee. He is also the group managing director of PCCW, deputy chairman of PCCW’s Executive Committee and a director of PCRD. He became a director of PCPD in May 2004.

Prior to joining the Pacific Century Group in 1998, Mr Arena was a Special Policy Adviser to the Hong Kong Government from 1997 to 1998. From 1993 to 1997, he was Director-General of Telecommunications at the Office of the Telecommunications Authority (“OFTA”) of Hong Kong, as well as a member of the Broadcasting Authority of Hong Kong.

Before taking up his post at OFTA, Mr Arena was appointed by the Hong Kong Government to plan a reform program for the liberalization of Hong Kong’s telecommunications sector. Prior to his appointment to the Hong Kong Government, he served as an inaugural member of the Australian Telecommunications Authority for four years. He has led an extensive career in public administration, specializing in high technology and infrastructure industries.

From a practising radio/communications engineer to a public policy maker, his experience spans such diverse areas as commercialization of government-owned business enterprises and deregulation in the aviation, transport, telecommunications and postal industries.

Mr Arena graduated from University of New South Wales, Australia, with a bachelor’s degree in electrical engineering. He completed an MBA at Melbourne University, Australia, and is a Fellow of the Hong Kong Institution of Engineers.

Mr Arena was an executive director and the chairman of SUNDAY Communications Limited (listing of its shares on The Stock Exchange of Hong Kong Limited was withdrawn with effect from December 20, 2006 and the company was subsequently dissolved on March 30, 2007) from July 2005 to December 2006.

BOARD OF DIRECTORS

LEE Chi Hong, Robert

Aged 58, is an executive director and the chief executive officer of PCPD and a member of PCPD's Executive Committee. He was appointed an executive director of PCCW in September 2002 and is a member of PCCW's Executive Committee. He became a director of PCPD in May 2004.

Mr Lee was previously an executive director of Sino Land Company Limited ("Sino Land"), at which his responsibilities included sales, finance, acquisitions, investor relations, marketing and property management. Prior to joining Sino Land, he was a senior partner at Deacons in Hong Kong, where he specialised in banking, property development, corporate finance and dispute resolution in Hong Kong and mainland China. Before that, he was a solicitor with the London firm Pritchard Englefield & Tobin (now Pritchard Englefield). He was enrolled as a solicitor in the United Kingdom in 1979 and admitted as a solicitor in Hong Kong in 1980. He became a Notary Public in Hong Kong in 1991.

Mr Lee has also served as a member of the panel of arbitrators of the China International Economic and Trade Arbitration Commission of the China Council for the Promotion of International Trade in Beijing.

Mr Lee graduated from Cornell University in the United States in 1975 with a bachelor's degree in Political Science.

LAM Yu Yee

Aged 48, is an executive director and the deputy chief executive officer of PCPD. He joined PCPD in September 2004 and became a director of PCPD in September 2007.

Prior to joining PCPD Mr Lam was the chief financial officer of Asia Pacific Resources International Limited in Singapore in 2003 and was appointed as its president of China Operations in April 2004. Between 1999 to 2003, he was an executive director and the group chief financial officer of Sino Land. Prior to joining Sino Land, he had worked in various financial institutions for over ten years and had substantial experience in corporate finance and investment banking.

Mr Lam holds a Bachelor of Science degree in Industrial Engineering from The University of Hong Kong ("HKU") and a Master of Business Administration degree from the Manchester Business School.

James CHAN

Aged 55, is an executive director and the project director of PCPD. He became a director of PCPD in August 2005.

Mr Chan is responsible for the project execution of the Cyberport project and has overall responsibility for all aspects of the construction works. He is also responsible for carrying out various new property projects of PCPD and its subsidiaries in Hong Kong and the People's Republic of China ("PRC").

Prior to joining PCCW in October 2002, Mr Chan had been practising as an architect and working for a major developer in Hong Kong for 14 years, with comprehensive experience in design, planning and land matters, design development and construction management of major investment properties in that developer's portfolio, which included a wide range of industrial and warehousing, commercial, retail and residential developments in Hong Kong and overseas. He possesses a wide spectrum of experience in the property industry and has been active in the property business for more than 31 years.

Mr Chan holds a Bachelor of Arts in Architectural Studies degree from the HKU and a Bachelor of Arts in Architecture degree from University of Dundee in Scotland. He is qualified as the Authorized Person (List I) and Registered Architect in Hong Kong, and is a member of The Hong Kong Institute of Architects, The Royal Institute of British Architects and The Royal Australian Institute of Architects.

BOARD OF DIRECTORS

GAN Kim See, Wendy

Aged 44, is an executive director and the sales and marketing director of PCPD. She became a director of PCPD in August 2005.

Ms Gan is responsible for the overall sales and marketing of PCPD's property assets, in particular the residential portion of the Cyberport project, Bel-Air.

Before joining PCCW in November 2000, Ms Gan was head of sales and marketing at Swire Properties Limited, looking after that company's portfolio of residential, office and retail developments. She has more than 20 years' experience in property development and management and expertise in the sales and marketing of projects in Hong Kong and overseas.

Her marketing campaigns have received top honours at the HKMA/TVB Marketing Excellence Award for three years, a MAXI Award from the International Council of Shopping Centers, several HK 4A's Awards and the Hong Kong Institute of Surveyors' top awards in property marketing.

Ms Gan holds a Bachelor of Arts degree with First Class Honours from the HKU and is currently a member of the Council and Court of HKU. She also sits on the

Management Board of the HKU School of Professional and Continuing Education and is a Voting Member of the HKU Foundation for Educational Development and Research. She has also received a Diploma in Surveying from the College of Estate Management, UK and is a member of the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Surveyors and the Hong Kong Real Estate Developers Association. In 2008, she has obtained an Executive Master of Business of Administration degree jointly awarded by the Kellogg School of Management of the Northwestern University in USA and the Business School of the Hong Kong University of Science and Technology.

NON-EXECUTIVE DIRECTORS

CHEUNG Kin Piu, Valiant

Aged 63, is an independent non-executive director of PCPD and the chairman of PCPD's Remuneration Committee and a member of PCPD's Audit Committee and Nomination Committee. He became a director of PCPD in October 2004.

Mr Cheung had been a partner at KPMG, a leading international accounting firm in Hong Kong, until his retirement in March 2001. He has extensive experience in assurance and corporate finance work, particularly in trading and manufacturing corporations in Hong Kong and the PRC, and has assisted a number of companies in obtaining stock exchange listings in Hong Kong, the PRC, Singapore and the United States. In addition, he has provided financial advisory and due diligence services to foreign investors on investments in the PRC. He is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He is currently an independent non-executive director of two other listed companies in Hong Kong Dah Chong Hong Holdings Limited and The Bank of East Asia, Limited. In addition, he is also an

BOARD OF DIRECTORS

independent non-executive director of unlisted Bank of East Asia (China) Limited, a wholly-owned subsidiary of The Bank of East Asia, Limited. He was an independent non-executive director of Wing Shan International Limited from March 2004 to January 2009 and of Dream International Limited from October 2001 to May 2008.

Prof WONG Yue Chim, Richard, SBS, JP

Aged 57, is an independent non-executive director of PCPD and the chairman of PCPD's Audit Committee and a member of PCPD's Remuneration Committee and Nomination Committee. He became a director of PCPD in July 2004.

Prof Wong currently serves as Deputy Vice-Chancellor of the HKU. He has been active in advancing economic research on policy issues in Hong Kong and the PRC through his work as founding director of both The Hong Kong Centre for Economic Research and Hong Kong Institute of Economics and Business Strategy. He was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region for his contributions in education, housing, industry and technology development. In addition, he was appointed Justice of the Peace in July 2000. He studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy.

Prof Wong is currently an independent non-executive director of five other listed companies in Hong Kong: CK Life Sciences Int'l., (Holdings) Inc., Great Eagle Holdings Limited, Industrial and Commercial Bank of China (Asia) Limited, Orient Overseas (International) Limited and Sun Hung Kai Properties Limited. He is also an independent non-executive director of The Link Management Limited, the manager of The Link Real Estate Investment Trust. He has also served as an independent non-executive director of Pacific Century Insurance Holdings Limited (formerly a listed company in Hong Kong) from June 1999 to June 2007.

Dr Allan ZEMAN, GBS, JP

Aged 61, is an independent non-executive director of PCPD, the chairman of PCPD's Nomination Committee and a member of PCPD's Audit Committee. He became a director of PCPD in June 2004.

After spending more than 39 years in Hong Kong, Dr Zeman has established business interests in Hong Kong and overseas that include property development, entertainment and public relations.

Dr Zeman is the chairman of Ocean Park, a major theme park in Hong Kong. He is also the chairman of Lan Kwai Fong Holdings Limited, the major property owner and developer in Lan Kwai Fong, one of Hong Kong's popular tourist attractions.

Dr Zeman serves as a board member of the Hong Kong Arts Festival, the Hong Kong Community Chest, the Urban Renewal Authority and the West Kowloon Cultural District Authority ("WKCD"). He is also a member of the Tourism Strategy Group for the Hong Kong Tourism Commission, the Business Facilitation Advisory Committee, the Food Business Task Force for the Business Facilitation Advisory Committee, Commission on Strategic Development to serve on Economic Development and Economic Cooperation with Mainland, the Consultation Panel of the WKCD, the

BOARD OF DIRECTORS

Chairman of the Performing Arts Committee of the WKCDA, the Development Committee of the WKCDA and the Investment Committee of the WKCDA. He is also a member of the Board of Governors of the Canadian Chamber of Commerce and the Hong Kong General Chamber of Commerce and a member of the Asian Advisory Board of the Richard Ivey School of Business.

Dr Zeman is currently a director of The “Star” Ferry Company, Limited, an independent non-executive director of The Link Management Limited, Sino Land and Tsim Sha Tsui Properties Limited. He is also a director of Wynn Resorts, Limited, a listed company in the United States.

Based on the written confirmations from the directors of PCPD, as at June 30, 2009, save as disclosed above, each director of PCPD (a) did not hold other positions in PCPD; (b) have not held other directorships in any listed public companies in the last three years; and (c) did not have relationship with any of the other directors, senior management or substantial or controlling shareholder of PCPD.

FINANCIAL INFORMATION

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2009

HK\$ million	Note(s)	2009 (Unaudited)	2008 (Unaudited)
Turnover	2	2,306	618
Cost of sales		(1,924)	(358)
Gross profit		382	260
General and administrative expenses		(293)	(204)
Other income		199	2
Other gains, net		18	11
Operating profit		306	69
Interest income		6	46
Finance costs		(73)	(69)
Profit before taxation	2, 3	239	46
Income tax	4	(80)	(41)
Profit attributable to equity holders of the Company		159	5
Other comprehensive (loss)/income (after taxation):			
Currency translation differences		(10)	280
Total comprehensive income		149	285
Earnings per share (expressed in Hong Kong cents per share)			
Basic	6	6.63 cents	0.20 cent
Diluted	6	N/A	N/A

The notes on pages 21 to 35 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2009

HK\$ million	2009 (Unaudited)						Total
	Issued equity	Capital reserve (note a)	Currency translation reserve	Convertible notes reserve	Employee share-based compensation reserve	Retained earnings	
Balance at January 1, 2009	4,321	(565)	812	769	17	3,083	8,437
Total comprehensive income for the period	—	—	(10)	—	—	159	149
Balance at June 30, 2009	4,321	(565)	802	769	17	3,242	8,586

HK\$ million	2008 (Unaudited)						Total
	Issued equity	Capital reserve (note a)	Currency translation reserve	Convertible notes reserve	Employee share-based compensation reserve	Retained earnings	
Balance at January 1, 2008	4,321	(565)	512	769	17	2,570	7,624
Total comprehensive income for the period	—	—	280	—	—	5	285
Balance at June 30, 2008	4,321	(565)	792	769	17	2,575	7,909

- 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 21 to 35 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2009

HK\$ million	Note	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		3,860	3,831
Property, plant and equipment		174	173
Properties under development		665	626
Properties held for development		853	860
Goodwill		95	96
Other receivables		4	4
Deferred income tax assets		22	23
		5,673	5,613
Current assets			
Properties under development/held for sale		1,145	2,402
Sales proceeds held in stakeholders' accounts		2,364	6,994
Restricted cash		2,745	720
Trade receivables, net	7	879	1,918
Prepayments, deposits and other current assets	8	218	125
Amounts due from fellow subsidiaries		22	10
Amounts due from related companies		2	2
Cash and cash equivalents		3,242	1,654
		10,617	13,825

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2009

HK\$ million	Note	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)
Current liabilities			
Current portion of long-term borrowings		24	24
Trade payables	9	32	191
Accruals, other payables and deferred income		1,336	1,600
Deposits received on sales of properties		670	469
Gross amounts due to customers for contract works		—	5
Amounts due to fellow subsidiaries		—	15
Amount payable to the HKSAR Government under the Cyberport Project Agreement	10	3,040	4,981
Current income tax liabilities		182	143
		5,284	7,428
Net current assets		5,333	6,397
Total assets less current liabilities		11,006	12,010
Non-current liabilities			
Long-term borrowings		2,166	2,105
Amount payable to the HKSAR Government under the Cyberport Project Agreement	10	—	1,195
Deferred income tax liabilities		249	240
Other long-term liabilities		5	33
		2,420	3,573
Net assets		8,586	8,437
REPRESENTING:			
Issued equity	11	4,321	4,321
Reserves		4,265	4,116
		8,586	8,437

The notes on pages 21 to 35 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2009

HK\$ million	2009 (Unaudited)	2008 (Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	1,626	(177)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(38)	(9)
Decrease in bank deposits with maturity more than three months	—	106
Proceeds from disposal of subsidiaries	—	51
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(38)	148
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,588	(29)
Exchange difference	—	18
CASH AND CASH EQUIVALENTS		
Balance at January 1,	1,654	1,759
Balance at June 30,	3,242	1,748
Analysis of cash and cash equivalents		
Cash and bank balances	5,987	2,443
Less: Restricted cash	(2,745)	(695)
Cash and cash equivalents at June 30,	3,242	1,748

The notes on pages 21 to 35 form part of these unaudited condensed consolidated financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2009

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”) has 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, 2008, which have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA.

The unaudited condensed consolidated financial information has been reviewed by the Company’s Audit Committee, and the Company’s independent 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 judgements, 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, 2008, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards, HKASs and interpretations (“new HKFRS”) which are effective for the annual period beginning on January 1, 2009:

Standards, amendments and interpretations effective from January 1, 2009

HKAS 1 (Revised) Presentation of Financial Statements

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

HKFRS 8 Operating Segments

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2009

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

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

HKAS 23 (Revised)	Borrowing Costs
HKAS 32 (Amendment) and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKFRS 1	First-time adoption of HKFRS and HKAS 27 - Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
Improvements to HKFRS - Amendments to:	
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 16	Property, Plant and Equipment
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 29	Financial Reporting in Hyperinflationary Economies
HKAS 31	Interests in Joint Ventures
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS 41	Agriculture
Other minor amendments to:	
HKFRS 7	Financial Instruments: Disclosures
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events After the Balance Sheet Date
HKAS 18	Revenue
HKAS 34	Interim Financial Reporting

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2009

2. TURNOVER AND SEGMENT INFORMATION - CONTINUED

HK\$ million	Property development in Hong Kong		Property investment in mainland China		Other businesses (note a)		Elimination		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
For the six months ended June 30,										
Addition to non-current segment assets during the period	—	—	14	6	44	47	—	—	58	53
Unallocated addition									3	—
Consolidated addition to non-current segment assets during the period									61	53

HK\$ million	Property development in Hong Kong		Property investment in mainland China		Other businesses (note a)		Elimination		Consolidated	
	June 30, 2009	Dec-ember 31, 2008	June 30, 2009	Dec-ember 31, 2008	June 30, 2009	Dec-ember 31, 2008	June 30, 2009	Dec-ember 31, 2008	June 30, 2009	Dec-ember 31, 2008
Segment assets	7,301	12,179	4,258	4,217	1,845	1,811	—	—	13,404	18,207
Unallocated corporate assets									2,886	1,231
Consolidated total assets									16,290	19,438
Segment liabilities	5,126	8,375	292	286	54	124	—	—	5,472	8,785
Unallocated corporate liabilities									2,232	2,216
Consolidated total liabilities									7,704	11,001

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2009

3. PROFIT BEFORE TAXATION

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

HK\$ million	Six months ended June 30,	
	2009	2008
Crediting:		
Gross rental income from investment properties	107	116
Other rental income	5	1
Less: outgoings	(12)	(11)
Gain on disposal of subsidiaries (note 14(a)(i))	—	4
Gain on derivative financial instrument	—	7
Charging:		
Cost of properties sold	1,863	308
Depreciation	18	9
Amortisation of leasehold land	1	4
Staff costs, included in:		
- cost of sales	36	32
- general and administrative expenses	93	59
Contributions to defined contribution retirement scheme, included in:		
- cost of sales	1	1
- general and administrative expenses	4	4
Auditors' remuneration	2	2
Operating lease rental of land and buildings, included in		
- cost of sales	2	1
- general and administrative expenses	20	7
Operating lease rental of equipment	1	1
Provision for impairment of trade receivables	8	—
Net foreign exchange loss	—	1

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2009

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2008: 16.5 per cent) on the estimated assessable profits for the period.

Taxation for overseas subsidiaries has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

HK\$ million	Six months ended June 30,	
	2009	2008
Hong Kong profits tax		
- Provision for current year	68	10
- Under/(Over) provision in respect of prior years	1	(9)
Overseas income tax		
- Provision for current year	2	29
- Over provision in respect of prior years	(1)	—
Deferred income tax relating to the origination and reversal of temporary differences	10	11
	80	41

5. DIVIDEND

HK\$ million	Six months ended June 30,	
	2009	2008
Interim dividend declared (2008: Nil)	—	—

There was no final dividend paid for 2008.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2009

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,	
	2009	2008
Earnings (HK\$ million)		
Earnings for the purpose of calculating the basic earnings per share	159	5
Finance costs on convertible notes	73	69
Earnings for the purpose of calculating the diluted earnings per share	232	74

	Six months ended June 30,	
	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share	2,407,459,873	2,407,459,873
Effect of dilutive potential ordinary shares on conversion of convertible notes and the employee share options	672,222,222	672,858,018
Weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share	3,079,682,095	3,080,317,891

The diluted earnings per share for the six months ended June 30, 2009 and June 30, 2008 are the same as the basic earnings per share as all potential additional ordinary shares are anti-dilutive.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2009

7. TRADE RECEIVABLES, NET

An aging analysis of trade receivables is set out below:

HK\$ million	June 30, 2009	December 31, 2008
Current	701	1,742
One to three months	2	—
More than three months	209	209
	912	1,951
Less: Provision for impairment	(33)	(33)
	879	1,918

Trade receivables in respect of properties sold are payable by the purchasers pursuant to the terms of the sales contracts. Other trade receivables have a normal credit period ranges up to 30 days from the date of the invoice unless there is separate mutual agreement on extension of the credit period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2009

8. PREPAYMENTS, DEPOSITS AND OTHER CURRENT ASSETS

HK\$ million	June 30, 2009	December 31, 2008
Other receivables	75	62
Prepayment to ultimate holding company (note a)	71	—
Other prepayments	40	40
Deposits	16	6
Others	16	17
	218	125

- a. The Group made a provisional prepayment of approximately HK\$71 million to PCCW, the ultimate holding company of the Group, being the retained profit of Cyber-Port Limited (“CPL”) accrued up to May 10, 2004 in accordance with the Acquisition Agreement dated March 5, 2004 entered into between the Group and PCCW. The provisional prepayment is conditional on the conditions that (i) CPL has repaid the loan owed to PCCW, and (ii) CPL has surplus funds for distribution. The accrued profit of CPL can be adjusted downwards by claims, losses or damages incurred and the amount will be finalised upon the final completion of the Cyberport Project pursuant to Cyberport Project Agreement (see note 10 for details). This arrangement was disclosed on page 16 of the Company’s circular to the shareholders dated April 2, 2004 and approved by the shareholders on April 28, 2004.

9. TRADE PAYABLES

An aging analysis of trade payables is set out below:

HK\$ million	June 30, 2009	December 31, 2008
Current	30	191
One to three months	—	—
More than three months	2	—
	32	191

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2009

10. AMOUNT PAYABLE TO THE HKSAR GOVERNMENT UNDER THE CYBERPORT PROJECT AGREEMENT

HK\$ million	2009		
	Government share under the Cyberport Project Agreement (note a)	Others	Total
Balance at January 1, 2009	6,149	27	6,176
Addition to amount payable	480	1	481
Settlement during the period	(3,617)	—	(3,617)
Balance at June 30, 2009, classified as current liabilities	3,012	28	3,040

HK\$ million	2008		
	Government share under the Cyberport Project Agreement (note a)	Others	Total
Balance at January 1, 2008	6,886	33	6,919
Addition to amount payable	406	1	407
Settlement during the period	(358)	—	(358)
Balance at June 30, 2008, classified as current liabilities	6,934	34	6,968

- 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 cashflow 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. Amount payable to the HKSAR Government is included in properties under development/held for sale as the amount is considered as a part of the development costs for the Cyberport project. The amount payable to the HKSAR Government 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 HKSAR Government during the forthcoming year is classified as current liabilities. The construction of residential portion of the Cyberport project was completed in November 2008.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2009

11. ISSUED EQUITY

	The Group	
	Number of shares (note a)	Issued equity HK\$ million (note a)
Ordinary shares of HK\$0.10 each at December 31, 2008 and June 30, 2009	2,407,459,873	4,321

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	Nominal value HK\$ million
Authorised:		
Ordinary shares of HK\$0.10 each at December 31, 2008 and June 30, 2009	10,000,000,000	1,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at December 31, 2008 and June 30, 2009	2,407,459,873	241

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2009

12. CAPITAL COMMITMENTS

HK\$ million	June 30, 2009	December 31, 2008
Authorised and contracted for	41	184
Authorised but not contracted for	522	60
	563	244

13. GUARANTEES

The guarantees provided by the Group are set out as follows:

HK\$ million	June 30, 2009	December 31, 2008
Performance guarantee	—	1

- (i) In 2005, Partner Link Investments Limited (“Partner Link”), an indirectly wholly-owned subsidiary of the Company, entered into the Property Sales and Purchase Agreement with Richly Leader Limited (the “Purchaser”), a third party, for the disposal of PCCW Tower. Under the Property Sales and Purchase Agreement, on completion of the disposal of the PCCW Tower, there is a rental guarantee pursuant to which Partner Link will undertake to the Purchaser that it will pay a guaranteed net monthly rental of approximately HK\$13.3 million to the Purchaser for a period of five years up to February 7, 2010.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2009

14. MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by PCCW, a company incorporated in Hong Kong, which owns 61.53 per cent (December 31, 2008: 61.53 per cent) of the Company's shares. The remaining 38.47 per cent (December 31, 2008: 38.47 per cent) of the shares are held by public and by a substantial shareholder. PCCW is also regarded as the ultimate holding company of the Group.

In addition to the transactions and balances disclosed elsewhere in these unaudited condensed consolidated financial information, 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,	
	2009	2008
Sales of services:		
- Fellow subsidiaries		
Facility management services	27	28
Office leases rental	4	4
- Related companies		
Facility management services	12	12
Office leases rental	1	2
Purchases of services:		
- Fellow subsidiaries		
Corporate services	—	1
Office sub-leases	5	4
Information technology and other logistic services	6	3
- Related companies		
Other services	1	1

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2009

14. MATERIAL RELATED PARTY TRANSACTIONS - CONTINUED

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

- (i) On March 31, 2008, the Group disposed the entire share capital of two subsidiaries to a wholly-owned subsidiary of PCCW at a total consideration of HK\$51 million. These two subsidiaries are property holding companies with net assets of HK\$47 million on the day of disposal. A net gain of HK\$4 million was recognised in the six months ended June 30, 2008.
- (ii) On April 17, 2008, the Company announced that the proposed privatisation of the Company made by Picville Investments Limited ("Picville"), a wholly-owned subsidiary of PCCW, was not approved by the independent shareholders at the court meeting held on that day. Accordingly, all the related costs incurred by the Company for the proposed privatisation amounted to approximately HK\$11 million were borne by Picville.

The above transactions were carried out after negotiations between the Group and the related parties in the ordinary course of business. 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.

b. Details of key management compensation

HK\$ million	Six months ended June 30,	
	2009	2008
Salaries and other short-term employee benefits	14	13
Bonuses	22	18
Directors' fees	—	—
Post-employment benefits	1	1
	37	32

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2009

14. MATERIAL RELATED PARTY TRANSACTIONS - CONTINUED

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

HK\$ million	June 30, 2009	December 31, 2008
Receivables from related parties:		
- Fellow subsidiaries	22	10
- Related companies	2	2
	24	12
Payables to related parties:		
- Fellow subsidiaries	—	15

d. Loan from a fellow subsidiary

The loan from a fellow subsidiary represents the face value of the convertible notes (tranche B note due 2014) with principal value of HK\$2,420 million. The movements of the face value of the loan from a fellow subsidiary during the period are as follows:

HK\$ million	2009	2008
Balance at January 1,	2,645	2,596
Interest expenses	12	12
Interest paid	(12)	(12)
Provision for redemption premium	24	24
Balance at June 30,	2,669	2,620

15. POST BALANCE SHEET EVENT

On August 20, 2009, the Group entered into an agreement for the disposal of the entire share capital of a subsidiary to a third party at a consideration of US\$118 million subject to certain adjustments. The disposal is expected to be completed on October 5, 2009. The subsidiary holds a property development company in mainland China which is carrying out the property development project at No. 4 Gong Ti Bei Lu, Chaoyang District, Beijing, the People's Republic of China. Based on the latest available information on July 31, 2009, the carrying value of the disposed subsidiaries amounted to approximately HK\$758 million. The Group is expected to recognise a gain before tax, inclusive of the relevant currency translation reserve of approximately HK\$73 million, of approximately HK\$235 million (subject to adjustments to the consideration) in the second half of 2009 as a result of the disposal.

GENERAL INFORMATION

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

As at June 30, 2009, 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, 2009, 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, 2009.

Name of director/ chief executive	Personal interests	Number of ordinary shares		Other interests	Number of underlying shares held under equity derivatives	Total	Percentage of issued share capital
		Family interests	Corporate interests				
Li Tzar Kai, Richard	—	—	250,109,824 <i>(Note I(a))</i>	1,687,060,335 <i>(Note I(b))</i>	—	1,937,170,159	28.60%
Alexander Anthony Arena	760,000	—	—	—	12,800,200 <i>(Note II)</i>	13,560,200	0.20%
Lee Chi Hong, Robert	992,600 <i>(Note IV(a))</i>	511 <i>(Note IV(b))</i>	—	—	5,000,000 <i>(Note III)</i>	5,993,111	0.09%
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 102,122,177 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 102,122,177 shares of PCCW held by PCGH; and
 - (iii) a deemed interest in 1,548,211,301 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 75.74% 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 1,548,211,301 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) 12,800,000 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.

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

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, 2009, 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 as at 01.01.2009	Outstanding as at 06.30.2009
Alexander Anthony Arena	08.28.1999	08.17.2000 to	08.17.2000 to	11.780	3,200,000	3,200,000
		08.17.2004	08.17.2009			
	08.26.2000	08.26.2001 to	08.26.2001 to	60.120	1,600,000	1,600,000
		08.26.2005	08.26.2010			
	02.20.2001	08.26.2001 to	08.26.2001 to	16.840	1,600,000	1,600,000
		08.26.2005	01.22.2011			
07.25.2003	07.25.2004 to	07.25.2004 to	4.350	6,400,000	6,400,000	
	07.25.2006	07.23.2013				
02.08.2005	02.08.2006 to	02.08.2006 to	4.475	3,000,000	—	
	02.08.2007	02.07.2009				
Lee Chi Hong, Robert	07.25.2003	07.25.2004 to	07.25.2004 to	4.350	5,000,000	5,000,000
		07.25.2006	07.23.2013			
	02.08.2005	02.08.2006 to	02.08.2006 to	4.475	1,000,000	—
		02.08.2007	02.07.2009			
James Chan	07.25.2003	07.25.2004 to	07.25.2004 to	4.350	210,000	210,000
		07.25.2006	07.23.2013			
Gan Kim See, Wendy	01.22.2001	01.22.2002 to	01.22.2002 to	16.840	180,000	180,000
		01.22.2004	01.22.2011			
	07.25.2003	07.25.2004 to	07.25.2004 to	4.350	240,000	240,000
		07.25.2006	07.23.2013			

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, 2009, 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 OPTION 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 (the “2003 Scheme”)), the shareholders of the Company approved the termination of the 2003 Scheme and the 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 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 OPTION SCHEMES – CONTINUED

Details of the options which have been granted and outstanding under the 2003 Scheme during the six months ended June 30, 2009 are as follows:

1. Outstanding options as at January 1, 2009 and as at June 30, 2009

Category of participant	Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of options	
					Outstanding as at 01.01.2009	Outstanding as at 06.30.2009
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	5,000,000

Note: All dates are shown month/day/year

2. Options granted during the six months ended June 30, 2009

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

3. Options exercised during the six months ended June 30, 2009

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

4. Options cancelled or lapsed during the six months ended June 30, 2009

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.

GENERAL INFORMATION

INTERESTS AND SHORT POSITIONS IN SHARES OF SUBSTANTIAL SHAREHOLDERS

1. Interests in the Company

As at June 30, 2009, 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 (Note I)	89.45%
Elliott Capital Advisors, L.P.	Interest of controlled corporations	479,363,400 (Note II)	19.91%
Peter Cundill & Associates (Bermuda) Ltd.	Investment manager	124,952,000	5.19%
Daniel Saul Och	Interest of controlled corporations	121,447,152 (Note III)	5.04%
Och-Ziff Capital Management Group L.L.C.	Interest of controlled corporations	121,447,152 (Note III)	5.04%
OZ Management, L.P. (formerly known as OZ Management, L.L.C.)	Investment manager	121,447,152 (Note III)	5.04%

Notes:

- I. These interests represented (a) an interest in 1,481,333,333 shares in the Company ("Shares") held by Asian Motion Limited, a wholly-owned subsidiary of PCCW; and (b) an interest in respect of 672,222,222 underlying Shares 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. Elliott Capital Advisors, L.P. has direct or indirect control over The Liverpool Limited Partnership and Elliott International, L.P. and is therefore deemed to control the exercise of the voting power of the 191,745,360 Shares held by The Liverpool Limited Partnership and the 287,618,040 Shares held by Elliott International L.P.
- III. Daniel Saul Och has direct or indirect control over an investment manager OZ Management, L.P. and is therefore deemed to control the voting power of the 121,447,152 Shares held in aggregate by OZ Management, L.P. and its wholly-owned subsidiaries and other entities controlled by it.

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, 2009, the Company had not been notified of any other person who had short positions in the shares or underlying shares of the Company as 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, 2009, 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, 2009, 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, 2009 and has held one meeting during the period under review.

PUBLIC FLOAT

As at June 30, 2009, the percentage of shares held by the public was approximately 18.56 per cent, which is below the minimum percentage prescribed under Rule 8.08 (the "Minimum Prescribed Percentage") of the Listing Rules. The shortfall arose because Elliott Capital Advisors, L.P. held 19.91 per cent shareholdings in the Company and became a substantial shareholder and hence a connected person of the Company. The Company will take steps to restore its public holdings to the Minimum Prescribed Percentage as soon as practicable. Further announcement will be made in due course once there is concrete progress in the restoration of the public float of the Company. Details of the shareholdings of the substantial shareholders in the Company as at June 30, 2009 are disclosed under the section "Interests and Short Positions in Shares of Substantial Shareholders" in this report.

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

GENERAL INFORMATION

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, 2009.

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 00432.

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*)

Lam Yu Yee

James Chan

Gan Kim See, Wendy

Independent Non-Executive Directors

Cheung Kin Piu, Valiant

Prof Wong Yue Chim, Richard, SBS, JP

Dr Allan Zeman, GBS, JP

COMPANY SECRETARY

Cheng Wan Seung, Ella

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PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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Rosebank Centre

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Pembroke HM 08

Bermuda

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