Pacific Century Premium Developments
盈科大衍地產發展

Stock code: 00432

INTERIM REPORT 2010

CONTENTS

STATEMENT FROM THE CHAIRMAN

PCPD CONTINUES TO MAKE SATISFACTORY PROGRESS IN ITS OVERSEAS PROJECTS. THE GROUP WILL CONTINUE TO PURSUE OPPORTUNITIES IN THE REGION AND WORLDWIDE WHICH CAN ENHANCE SHAREHOLDERS' VALUE.

STATEMENT FROM THE CHAIRMAN

I am pleased to report that the Group achieved a consolidated turnover of approximately HK$1,070 million during the six months ended June 30, 2010, as compared to HK$2,306 million for the same period in 2009. Our consolidated operating profit for the first six months of 2010 amounted to approximately HK$334 million, as compared to HK$306 million for the corresponding period of 2009. The Group's consolidated net profit totalled HK$165 million, as compared to HK$159 million for the corresponding period of the previous year. Basic earnings per share for the six months ended June 30, 2010 were 6.86 Hong Kong cents, as compared to 6.63 Hong Kong cents for the corresponding period of 2009.

The Board of Directors ("the Board") did not declare an interim dividend for the six months ended June 30, 2010.

The global economy experienced a relatively smooth recovery process during the beginning of 2010. Asia took the lead in that, while the US economy performed better than expected. The confidence of American consumers has revived, and that was reflected by an upturn in the performance of the US retail sector.

The second quarter saw growing concerns that these trends could falter if the European debt crisis spread and the stimulus-fuelled rebound in the US diminished. However, European debt crisis is contained for the moment following the announcement of the European Union rescue package and the positive stress test results of banks in the region.

Hong Kong's economy has now bounced back for four quarters in succession. Meanwhile, the Hong Kong property market gained momentum in the first quarter, although it has become steadier since the government introduced a series of measures to ensure the market's stable and healthy development.

The outlook for the property market remains cautiously optimistic, considering the prospect of improvement in the general economy. This should particularly hold true for the luxury residential property sector, which is underpinned by factors such as limited supply, excess liquidity, and exceptionally low interest rates. As a result, we are confident that we will achieve favourable prices when we release the houses at Villa Bel-Air, which are limited in number and will be highly sought-after.

The Group continues to make satisfactory progress in its overseas projects. We have received a development permit for our resort project at Hanazono in Hokkaido, Japan; and the ski operation has launched summer activities in July with a view to building Hanazono as an all-season resort. Furthermore, we have entered into a management contract with a first class international hotel operator for our project in Phang-nga, southern Thailand, in June.

PCPD will continue to pursue opportunities in the region and worldwide which can enhance shareholders' value.

Richard Li
Chairman
August 13, 2010

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

TIGHT SUPPLY OF RESIDENTIAL PROPERTIES, SUSTAINED ECONOMIC GROWTH AND LOW INTEREST RATES HAVE COMBINED TO UNDERPIN THE RESILIENCE OF THE LOCAL RESIDENTIAL PROPERTY MARKET. WE BELIEVE PROPERTY PRICES WILL MAINTAIN THEIR UPWARD TREND.

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

Hong Kong's economic resurgence increasingly strengthened during the first quarter of 2010. GDP grew by 8.2% in real terms, thanks to the economic growth in Mainland China, the revival of intra-regional trade, and the return of demand for imports in the US and Europe.

Tight supply of residential properties, sustained economic growth and low interest rates have combined to underpin the resilience of the local residential property market. According to the provisional figures provided by the government, the current number of private residential units under construction was the lowest since 1997.

In view of the above factors, we believe property prices will maintain their upward trend. In fact, if no major external economic shocks occur, we expect them to rise modestly in year-on-year terms. Given the excellent recent auction results for sites, prices for luxury residential properties are likely to increase further.

In addition, more Mainland buyers could be encouraged to purchase premium properties in Hong Kong in view of the stronger Renminbi.

Houses at Villa Bel-Air will continue to be our focus in Hong Kong and relevant sales will proceed in phases over the next few years.

For overseas projects, we are making good headway. For our world-class all-season resort project in Hokkaido, Japan, we launched its programmes of summer activities this July to complement the existing ski operations. This June, we signed a contract with a first class international hotel operator for the management of our project in Phang-nga, southern Thailand, where we expect construction work to commence in 2011.

PCPD's balance sheet remains strong, following the distribution of a special dividend for the previous financial year, and it will meet the needs of the Company's future development. Going forward, we will continue to explore potential investment opportunities around the world in a cautious manner.

Robert Lee
Chief Executive Officer
August 13, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The 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, 2010 is as follows:

BUSINESS REVIEW

Property development

The revenue from the Group's property developments in Hong Kong amounted to approximately HK$855 million in the six months ended June 30, 2010, as compared to approximately HK$2,109 million during the same period in 2009.

In Hong Kong, houses at Villa Bel-Air are expected to be released gradually over the next few years.

In Japan, good progress has been made on the Group's all-season resort project, Hanazono, Hokkaido since development permit was obtained and its programme of summer activities was launched in July, 2010.

The Group signed a management contract with a top-class international hotel operator for its project in Phang-nga, southern Thailand, in June, 2010. Construction is expected to commence in 2011.

Property investment in mainland China

Covering a gross floor area of more than 169,900 square metres, the Group's investment property, Pacific Century Place, currently accommodates many multinational corporations, world-class retailers and residential tenants. Pacific Century Place enjoyed an average occupancy rate of approximately 75 per cent for the six months ended June 30, 2010.

The Group's gross rental income for the six months ended June 30, 2010 amounted to approximately HK$107 million, as compared to approximately HK$107 million for the same period in 2009.

Other businesses

Other businesses within the Group included facilities management, property management in Hong Kong, mainland China and Japan, as well as Hanazono all-season resort operation. The revenue from other businesses for the six months ended June 30, 2010 amounted to approximately HK$108 million, as compared to approximately HK$90 million for the corresponding period in 2009.

FINANCIAL REVIEW

Review of results

The Group recorded a consolidated turnover of approximately HK$1,070 million for the six months ended June 30, 2010, representing a decrease of 54 per cent as compared to approximately HK$2,306 million for the corresponding period in 2009. The reason for the decrease in turnover was that the revenue from the sales of a major phase of Bel-Air was recognised last year.

The Group's consolidated gross profit for the six months ended June 30, 2010 was approximately HK$518 million, representing an increase of 36 per cent from the gross profit of approximately HK$382 million for the same period in 2009. The increase in consolidated gross profit was a result of the fact that sales recognised during the period had higher gross profit.

The Group's consolidated operating profit was approximately HK$334 million for the six months ended June 30, 2010, as compared to approximately HK$306 million for the corresponding period in 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Group recorded a consolidated net profit of approximately HK$165 million for the six months ended June 30, 2010, representing an increase of 4 per cent as compared to approximately HK$159 million for the same period in 2009. The increase was attributable to the increase in gross profit. Basic earnings per share during the period were 6.86 Hong Kong cents compared with 6.63 Hong Kong cents for the corresponding period in 2009.

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 on completion of development when the inflow of economic benefits associated with the property sales transactions is assessed to be probable and significant risks and rewards of ownership have been transferred.

Current assets and liabilities

As at June 30, 2010, the Group held current assets of approximately HK$5,905 million (December 31, 2009: HK$8,776 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 cash and bank balances. Properties under development/held for sale in current assets decreased from approximately HK$683 million as at December 31, 2009 to approximately HK$435 million as at June 30, 2010. Cash and bank balances amounted to approximately HK$2,318 million as at June 30, 2010 (December 31, 2009: HK$5,506 million). Sales proceeds held in stakeholders' accounts decreased by 17 per cent from approximately HK$1,271 million as at December 31, 2009 to approximately HK$1,061 million as at June 30, 2010. Restricted cash increased from approximately HK$949 million as at December 31, 2009 to approximately HK$1,610 million as at June 30, 2010.

The Group's total current liabilities as at June 30, 2010 amounted to approximately HK$2,404 million, as compared to approximately HK$2,331 million as at December 31, 2009.

Capital structure, liquidity and financial resources

As at June 30, 2010, the Group's borrowings amounted to approximately HK$2,728 million, representing an increase of HK$24 million amortised redemption premium as compared to total borrowings of HK$2,704 million as at December 31, 2009. As at June 30, 2010, the Group's long-term borrowings comprised the RMB10 million loan from a bank due on September 24, 2012 and the tranche B convertible note of HK$2,420 million from PCCW group, carrying a fixed interest rate of 1 per cent per annum and becoming repayable at 120 per cent of the outstanding principal amount at maturity in 2014. As the tranche B convertible note of HK$2,420 million is from the Company's major shareholder, PCCW Limited, it is not included in the total debt for calculating the debt-to-equity ratio of the Group. As at June 30, 2010, the debt-to-equity ratio excluding the tranche B convertible note was 0.2 per cent (December 31, 2009: 0.1 per cent).

The Group's business transactions, assets and liabilities were primarily denominated in Hong Kong dollars. Renminbi-denominated revenue and Japanese Yen-denominated revenue represented approximately 10 per cent and 6 per cent of total Group's turnover respectively, while PRC assets, Thailand assets and Japan assets represented approximately 41 per cent, 5 per cent and 5 per cent of the Group's total assets respectively.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Group generated approximately HK$12 million in cash from its operating activities during the six months ended June 30, 2010, while it generated approximately HK$1,626 million in cash from its operating activities during the same period in 2009.

Income tax

Income tax for the six months ended June 30, 2010 was approximately HK$90 million as compared to approximately HK$80 million for 2009.

Charge on assets

As of June 30, 2010, certain assets of the Group with an aggregate carrying value of approximately HK$3,870 million (December 31, 2009: HK$3,839 million) were pledged to secure banking facilities of the Group.

Contingent liabilities

(i) One of the indirect wholly-owned subsidiaries has given a guarantee to one of its lessees such that in case the alteration of its properties could not be carried out in order to allow the expansion of the existing leased areas of the lessee, the indirect wholly-owned subsidiary would purchase the refurbishment at the carrying value from the lessee, provided that the lessee serves termination notice due to the aforesaid reason. The refurbishment expenditures to be incurred by the lessee would not be less than RMB8 million and not more than RMB10 million. As at June 30, 2010, the lessee did not incur any cost on refurbishment.

(ii) As disclosed in the Company's announcement dated May 23, 2010, under the Cyberport Project Agreement, a Development Maintenance Account (the "DMA Account") was established for the provision of funds ("DMA Amount") for the upkeep and maintenance of certain facilities commonly available to both tenants and visitors at the commercial portion of the Cyberport project (please refer to note 3(b)(i) to the 2009 Financial Statements).

The Group has been in discussions with the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") and Hong Kong Cyberport Management Company Limited ("HKCMCL") concerning the purported final assessment of the DMA Amount made by HKCMCL under the terms of the Cyberport Project Agreement. By that assessment, HKCMCL purported to increase the level of funding of the DMA Account from HK$500 million to approximately HK$1,700 million. On May 20, 2010, HKCMCL commenced legal proceedings against Cyber-Port Limited (an indirect wholly-owned subsidiary of the Company and hereinafter "CPL") by way of originating summons (the "Originating Summons") in which it sought declarations as to its purported final assessment. On May 22, 2010, CPL and PCCW responded to the filing of the Originating Summons by commencing legal proceedings by way of writ against HKCMCL and its affiliates, Hong Kong Cyberport Development Holdings Limited and Hong Kong Cyberport (Ancillary Development) Limited, seeking orders to quash the purported final assessment of the DMA Amount and the purported auditors' certificate issued in relation to same and damages. CPL and PCCW have made applications to the Court to consolidate the Originating Summons proceedings into the writ action if it is not withdrawn or stayed.

No judgement in the legal proceedings has been made yet. The directors have taken legal advice and sought expert opinions on various matters relevant to the claims. They are of the opinion that the provisional assessment of HK$500 million would be adequate for the purpose of the final assessment of the DMA Amount, and the liability to contribute additional funds to the DMA Account is remote.

MANAGEMENT'S DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2010, the Group employed 461 staff, most of whom were based in Hong Kong. The Group's remuneration policies are in line with prevailing industry practices. They have been formulated on the basis of performance and experience, and they are reviewed regularly. Bonuses are paid on a discretionary basis, according to the performance of individual employees and the Group as a whole. The Group also provides comprehensive employee benefits, including medical insurance, a choice of provident fund or mandatory provident fund and training programmes.

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

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended June 30, 2010 (2009: Nil).

The Board did not recommend the payment of a final dividend for the year ended December 31, 2009.

The Board had recommended and paid a special dividend of HK$1.32 per ordinary share for the year ended December 31, 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2010, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

OUTLOOK

The global economic recovery proceeded quite well during the early months of 2010, and it has remained on track in most respects, despite that there are growing concerns that the European debt crisis might create obstacles to further growth. The local property market also gained momentum during the first quarter, although it has become steadier, following the HKSAR government's introduction of a series of measures to optimise its transparency and access to information.

The Group remains cautiously optimistic concerning the outlook for the property market, especially the luxury residential sector, which is underpinned by a number of positive factors, such as the improving job market and better incomes and job prospects, as well as low interest rates, recent better-than-expected auction results for sites in premium districts, and the limited supply of new properties.

Houses at Villa Bel-Air in Hong Kong will continue to be our focus and relevant sales will proceed in phases over the next few years. The Group is confident that these will achieve favourable prices, since they are limited in number and they are expected to be highly sought-after. The prospect of the Renminbi's appreciation will also encourage more mainland China buyers to snap up premium properties in Hong Kong.

Meanwhile, the Group is stepping up for the development and creating marketing plans for its world-class all-season resort development projects in Hokkaido, Japan, and Phang-nga, southern Thailand.

In conclusion, the Group will continue to pursue opportunities worldwide in order to increase its profitability and create greater value for its shareholders, regardless of the volatile market environment in which it operates.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Chairman

Aged 43, 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 became a director of PCPD in May 2004. He is also the chairman and an executive director 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").

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 (APEC) 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 59, is an executive director and the deputy chairman of PCPD and a member of PCPD's Executive Committee. He became a director of PCPD in May 2004. He is also an executive director and the group managing director of PCCW, deputy chairman of PCCW's Executive Committee and a director of PCRD.

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.

LEE Chi Hong, Robert

Aged 59, is an executive director and the chief executive officer of PCPD and a member of PCPD's Executive Committee. He became a director of PCPD in May 2004. He is also an executive director of PCCW and a member of PCCW's Executive Committee.

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

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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 49, 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 56, 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 32 years.

Mr Chan holds a Bachelor of Arts in Architectural Studies degree from the University of Hong Kong, a Bachelor of Arts in Architecture degree from University of Dundee in Scotland and a Master Degree of Business Administration from Tsinghua University. 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.

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GAN Kim See, Wendy

Aged 45, 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 an Honorary Advisor 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 64, 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

BOARD OF DIRECTORS

The Bank of East Asia, Limited. In addition, he is also an 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 Dream International Limited from October 2001 to May 2008 and of Wing Shan International Limited (currently known as Winteam Pharmaceutical Group Limited) from March 2004 to January 2009.

Prof WONG Yue Chim, Richard, SBS, JP

Aged 58, 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 serves as Deputy Vice-Chancellor and Provost 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 a 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 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) and The Hong Kong Mercantile Exchange.

Dr Allan ZEMAN, GBS, JP

Aged 62, 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 40 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 West Kowloon Cultural District Authority ("WKCDA"). He is also a member of the Tourism Strategy Group for the Hong Kong Tourism Commission, the Food Business Task Force for the Business Facilitation Advisory Committee, the Commission on Strategic Development to serve on Economic Development and Economic Cooperation with Mainland, the Consultation Panel of the WKCDA, the 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

BOARD OF DIRECTORS

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 a director of The "Star" Ferry Company, Limited, a non-executive director and the vice chairman of Wynn Macau, Limited, an independent non-executive director of The Link Management Limited (the manager of The Link Real Estate Investment Trust), Sino Land Company Limited and Tsim Sha Tsui Properties Limited. He is also a director of Wynn Resorts, Limited, a listed company in the United States.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2010

HK$ million	Note(s)	2010 (Unaudited)	2009 (Unaudited)
Turnover	2	**1,070**	2,306
Cost of sales		**(552)**	(1,924)
Gross profit		**518**	382
General and administrative expenses		**(214)**	(293)
Other income		**28**	199
Other gains, net		**2**	18
Operating profit		**334**	306
Interest income		**7**	6
Finance costs		**(86)**	(73)
Profit before taxation	2, 3	**255**	239
Income tax	4	**(90)**	(80)
Profit attributable to equity holders of the Company		**165**	159
Other comprehensive income/(loss) (after taxation):			
Currency translation differences		**70**	(10)
Total comprehensive income		**235**	149
Earnings per share (expressed in Hong Kong cents per share)			
Basic	6	**6.86 cents**	6.63 cents
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, 2010

HK$ million	Issued equity	Capital reserve (note a)	Currency translation reserve	Convertible notes reserve	Employee share-based compensation reserve	Retained earnings	Total
	2010 (Unaudited)						
Balance at January 1, 2010	4,321	(565)	763	769	17	3,606	8,911
Total comprehensive income for the period	—	—	70	—	—	165	235
Special dividend	—	—	—	—	—	(3,178)	(3,178)
Balance at June 30, 2010	4,321	(565)	833	769	17	593	5,968

HK$ million	Issued equity	Capital reserve (note a)	Currency translation reserve	Convertible notes reserve	Employee share-based compensation reserve	Retained earnings	Total
	2009 (Unaudited)						
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

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, 2010

HK$ million	Note	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		3,897	3,866
Property, plant and equipment		194	181
Properties under development		382	356
Properties held for development		566	548
Goodwill		3	3
Other receivables		3	6
Deferred income tax assets		10	13
		5,055	4,973
Current assets			
Properties under development/held for sale		435	683
Sales proceeds held in stakeholders' accounts		1,061	1,271
Restricted cash		1,610	949
Trade receivables, net	7	329	172
Prepayments, deposits and other current assets		104	151
Amounts due from fellow subsidiaries		46	42
Amounts due from related companies		2	2
Cash and cash equivalents		2,318	5,506
		5,905	8,776

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2010

HK$ million	Note	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Current liabilities			
Current portion of long-term borrowings		24	24
Trade payables	8	46	45
Accruals, other payables and deferred income		1,032	1,237
Deposits received on sales of properties		21	84
Amounts due to fellow subsidiaries		2	6
Amount payable to the HKSAR Government under the Cyberport Project Agreement	9	1,121	833
Current income tax liabilities		158	102
		2,404	2,331
Net current assets		3,501	6,445
Total assets less current liabilities		8,556	11,418
Non-current liabilities			
Long-term borrowings		2,306	2,241
Deferred income tax liabilities		282	266
		2,588	2,507
Net assets		5,968	8,911
REPRESENTING:			
Issued equity	10	4,321	4,321
Reserves		1,647	4,590
		5,968	8,911

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, 2010

HK$ million	2010 (Unaudited)	2009 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	12	1,626
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(28)	(38)
NET CASH USED IN INVESTING ACTIVITIES	(28)	(38)
FINANCING ACTIVITIES		
Dividends paid	(3,178)	—
NET CASH USED IN FINANCING ACTIVITIES	(3,178)	—
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,194)	1,588
Exchange difference	6	—
CASH AND CASH EQUIVALENTS		
Balance at January 1,	5,506	1,654
Balance at June 30,	2,318	3,242
Analysis of cash and cash equivalents		
Cash and bank balances	3,928	5,987
Less: Restricted cash	(1,610)	(2,745)
Cash and cash equivalents at June 30,	2,318	3,242

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, 2010

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, 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") 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, 2009, 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, 2010:

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2010

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

Standards, amendments and interpretations effective from January 1, 2010 adopted by the Group but have no significant impact on the Group's financial statements

HKAS 1	Current/Non-current Classification of Convertible Instruments
HKAS 7	Classification of Expenditures on Unrecognised Assets
HKAS 17	Classification of Leases of Land and Buildings and Consequential amendment to HK-Int 4 – Determining whether an Arrangement contains a Lease
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 36	Unit of Accounting for Goodwill Impairment Test
HKAS 38	Additional Consequential Amendments arising from HKFRS 3 (Revised) and Measuring Fair Value of an Intangible Asset acquired in Business Combination
HKAS 39	Treating Loan Prepayment Penalties as Closely Related Derivatives, Cash Flow Hedge Accounting, Scope Exemption for Business Combination Contracts
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 2	Share-based Payment
HKFRS 3 (Revised)	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HKFRS 8	Disclosure of Information about Segment Assets
HK(IFRIC)-Int 9 and HKFRS 3 (Revised)	Reassessment of Embedded Derivatives and Business Combination
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC)-Int 18	Transfer of Assets from Customers

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2010

2. TURNOVER AND SEGMENT INFORMATION

An analysis of turnover and information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended June 30 is set out below:

HK$ million	Property development in Hong Kong		Property investment in mainland China		Other businesses (note a)		Elimination		Consolidated	
For the six months ended June 30,	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Revenue from external customers	855	2,109	107	107	108	90	—	—	1,070	2,306
Inter-segment revenue	—	—	—	—	4	37	(4)	(37)	—	—
Reportable segment revenue	855	2,109	107	107	112	127	(4)	(37)	1,070	2,306
Interest income	—	2	3	2	—	—	—	—	3	4
Unallocated interest income									4	2
Consolidated interest income									7	6
Finance costs	—	—	—	—	—	—	—	—	—	—
Unallocated finance costs									86	73
Consolidated finance costs									86	73
Depreciation and amortisation	1	1	7	6	9	10	—	—	17	17
Unallocated depreciation and amortisation									4	2
Consolidated depreciation and amortisation									21	19
(Reversal of)/Provision for impairment losses	(33)	8	—	—	1	1	—	—	(32)	9

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2010

2. TURNOVER AND SEGMENT INFORMATION - CONTINUED

HK$ million	Property development in Hong Kong		Property investment in mainland China		Other businesses (note a)		Elimination		Consolidated	
For the six months ended June 30,	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
Profit/(loss) before taxation	**381**	378	**58**	60	**(8)**	(18)	**—**	—	**431**	420
Unallocated corporate expenses									**(176)**	(181)
Consolidated profit before taxation									**255**	239
Income tax	**61**	57	**14**	12	**13**	8	**—**	—	**88**	77
Unallocated income tax									**2**	3
Consolidated income tax									**90**	80
Addition to non-current segment assets during the period	**—**	—	**14**	14	**22**	44	**—**	—	**36**	58
Unallocated addition									**6**	3
Consolidated addition to non-current segment assets during the period									**42**	61

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2010

2. TURNOVER AND SEGMENT INFORMATION - CONTINUED

	Property development in Hong Kong		Property investment in mainland China		Other businesses (note a)		Elimination		Consolidated	
HK$ million	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009	June 30, 2010	December 31, 2009
Segment assets	3,463	3,113	4,414	4,323	1,248	1,204	—	—	9,125	8,640
Unallocated corporate assets									1,835	5,109
Consolidated total assets									10,960	13,749
Segment liabilities	2,194	2,092	341	322	55	65	—	—	2,590	2,479
Unallocated corporate liabilities									2,402	2,359
Consolidated total liabilities									4,992	4,838

(a) Revenue from segments below the quantitative thresholds are attributable to seven operating segments of the Group. Those segments include property development in Thailand and Japan, property management in Hong Kong, mainland China and Japan, facilities management and Hanazono all-season resort 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, 2010

3. PROFIT BEFORE TAXATION

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

	Six months ended June 30,	
HK$ million	2010	2009
Crediting:		
Gross rental income from investment properties	108	107
Other rental income	—	5
Less: outgoings	(11)	(12)
Other income from deposits forfeited	18	198
Charging:		
Cost of properties sold	493	1,863
Depreciation	21	18
Amortisation of leasehold land	—	1
Staff costs, included in:		
– cost of sales	29	36
– general and administrative expenses	69	93
Contributions to defined contribution retirement schemes, included in:		
– cost of sales	1	1
– general and administrative expenses	5	4
Auditors' remuneration	2	2
Operating lease rental of land and buildings, included in:		
– cost of sales	—	2
– general and administrative expenses	23	20
Operating lease rental of equipment	1	1
(Reversal of)/Provision for impairment of trade receivables	(33)	8
Net foreign exchange gain	(5)	—

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2010

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2009: 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.

	Six months ended June 30,	
HK$ million	**2010**	2009
Hong Kong profits tax		
– Provision for current year	**58**	68
– Under provision in respect of prior years	**7**	1
Overseas income tax		
– Provision for current year	**8**	2
– Over provision in respect of prior years	**—**	(1)
Deferred income tax relating to the origination and reversal of temporary differences	**17**	10
	90	80

5. DIVIDEND

	Six months ended June 30,	
HK$ million	**2010**	2009
Interim dividend declared (2009: Nil)	**—**	—

Special dividend of HK$3,178 million for 2009, which comprised HK$1.32 per ordinary share was paid by the Company on May 17, 2010.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2010

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,	
	2010	2009
Earnings (HK$ million)		
Earnings for the purpose of calculating the basic earnings per share	**165**	159
Finance costs on convertible notes	**77**	73
Earnings for the purpose of calculating the diluted earnings per share	**242**	232

	Six months ended June 30,	
	2010	2009
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**	672,222,222
Weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share	**3,079,682,095**	3,079,682,095

The diluted earnings per share for the six months ended June 30, 2010 and June 30, 2009 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, 2010

7. TRADE RECEIVABLES, NET

An aging analysis of trade receivables is set out below:

HK$ million	June 30, 2010	December 31, 2009
Current	327	13
One to three months	2	—
More than three months	—	192
	329	205
Less: Provision for impairment	—	(33)
	329	172

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.

8. TRADE PAYABLES

An aging analysis of trade payables is set out below:

HK$ million	June 30, 2010	December 31, 2009
Current	45	13
One to three months	—	32
More than three months	1	—
	46	45

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2010

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

	2010		
HK$ million	Government share under the Cyberport Project Agreement (note a)	Others	Total
Balance at January 1, 2010	803	30	833
Addition to amount payable	288	—	288
Balance at June 30, 2010	1,091	30	1,121

	2009		
HK$ million	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	3,012	28	3,040

a. Pursuant to the Cyberport Project Agreement, the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") 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 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.

b. Under the Cyberport Project Agreement, the provision of DMA Amount (note 12(ii)) for the upkeep and maintenance of certain facilities commonly available to both tenants and visitors at the commercial portion of the Cyberport project forms part of certain allowable costs incurred on the project, as stipulated under the terms and conditions of the Cyberport Project Agreement.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2010

10. ISSUED EQUITY

	The Group	
	Number of shares	Issued equity
		HK$ million
	(note a)	(note a)
Ordinary shares of HK$0.10 each at December 31, 2009 and June 30, 2010	**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, 2009 and June 30, 2010	**10,000,000,000**	**1,000**
Issued and fully paid:		
Ordinary shares of HK$0.10 each at December 31, 2009 and June 30, 2010	**2,407,459,873**	**241**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2010

11. CAPITAL COMMITMENTS

HK$ million	June 30, 2010	December 31, 2009
Authorised and contracted for	26	18
Authorised but not contracted for	5	10
	31	28

12. CONTINGENT LIABILITIES

Saved as disclosed elsewhere in the unaudited condensed consolidated financial information, contingent liabilities and the guarantees provided by the Group are set out as follows:

(i) One of the indirect wholly-owned subsidiaries has given a guarantee to one of its lessees such that in case the alteration of its properties could not be carried out in order to allow the expansion of the existing leased areas of the lessee, the indirect wholly-owned subsidiary would purchase the refurbishment at the carrying value from the lessee, provided that the lessee serves termination notice due to the aforesaid reason. The refurbishment expenditures to be incurred by the lessee would not be less than RMB8 million and not more than RMB10 million. As at June 30, 2010, the lessee did not incur any cost on refurbishment.

(ii) As disclosed in the Company's announcement dated May 23, 2010, under the Cyberport Project Agreement, a Development Maintenance Account (the "DMA Account") was established for the provision of funds ("DMA Amount") for the upkeep and maintenance of certain facilities commonly available to both tenants and visitors at the commercial portion of the Cyberport project (please refer to note 3(b)(i) to the 2009 Financial Statements).

The Group has been in discussions with the HKSAR Government and Hong Kong Cyberport Management Company Limited ("HKCMCL") concerning the purported final assessment of the DMA Amount made by HKCMCL under the terms of the Cyberport Project Agreement. By that assessment, HKCMCL purported to increase the level of funding of the DMA Account from HK$500 million to approximately HK$1,700 million. On May 20, 2010, HKCMCL commenced legal proceedings against Cyber-Port Limited (an indirect wholly-owned subsidiary of the Company and hereinafter "CPL") by way of originating summons (the "Originating Summons") in which it sought declarations as to its purported final assessment. On May 22, 2010, CPL and PCCW responded to the filing of the Originating Summons by commencing legal proceedings by way of writ against HKCMCL and its affiliates, Hong Kong Cyberport Development Holdings Limited and Hong Kong Cyberport (Ancillary Development) Limited, seeking orders to quash the purported final assessment of the DMA Amount and the purported auditors' certificate issued in relation to same and damages. CPL and PCCW have made applications to the Court to consolidate the Originating Summons proceedings into the writ action if it is not withdrawn or stayed.

No judgement in the legal proceedings has been made yet. The directors have taken legal advice and sought expert opinions on various matters relevant to the claims. They are of the opinion that the provisional assessment of HK$500 million would be adequate for the purpose of the final assessment of the DMA Amount, and the liability to contribute additional funds to the DMA Account is remote.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2010

13. CHARGE ON ASSETS

As at June 30, 2010, certain assets of the Group with an aggregate carrying value of HK$3,870 million (December 31, 2009: HK$3,839 million) were pledged to secure banking facilities of the Group.

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, 2009: 61.53 per cent) of the Company's shares. The remaining 38.47 per cent (December 31, 2009: 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:

	Six months ended June 30,	
HK$ million	**2010**	2009
Sales of services:		
– Fellow subsidiaries		
Facility management services	**22**	27
Office leases rental	**3**	4
– Related companies		
Facility management services	**11**	12
Office leases rental	**1**	1
Purchases of services:		
– Fellow subsidiaries		
Corporate services	**1**	—
Office sub-leases	**4**	5
Information technology and other logistic services	**4**	6
– Related companies		
Other services	**2**	1

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2010

14. MATERIAL RELATED PARTY TRANSACTIONS - CONTINUED

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

(i) During the period ended June 30, 2009, the Group made a provisional prepayment of approximately HK$71 million to PCCW, being the retained profit of 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 9 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. The above conditions were fulfilled as of December 31, 2009.

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.

b. Details of key management compensation

	Six months ended June 30,	
HK$ million	**2010**	2009
Salaries and other short-term employee benefits	**11**	14
Bonuses	**—**	22
Directors' fees	**—**	—
Post-employment benefits	**1**	1
	12	37

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, 2010

14. MATERIAL RELATED PARTY TRANSACTIONS - CONTINUED

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

HK$ million	June 30, 2010	December 31, 2009
Receivables from related parties:		
– Fellow subsidiaries	46	42
– Related companies	2	2
	48	44
Payables to related parties:		
– Fellow subsidiaries	2	6

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	2010	2009
Balance at January 1,	2,693	2,645
Interest expenses	12	12
Interest paid	(12)	(12)
Provision for redemption premium	24	24
Balance at June 30,	2,717	2,669

GENERAL INFORMATION

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

As at June 30, 2010, 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, 2010, 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.

GENERAL INFORMATION

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

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, 2010.

Name of director/ chief executive	Number of ordinary shares: Personal interests	Family interests	Corporate interests	Other interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital
Li Tzar Kai, Richard	—	—	271,666,824 *(Note I(a))*	1,698,197,335 *(Note I(b))*	—	1,969,864,159	29.09%
Alexander Anthony Arena	760,000	—	—	—	9,600,200 *(Note II)*	10,360,200	0.15%
Lee Chi Hong, Robert	992,600 *(Note IV(a))*	511 *(Note IV(b))*	—	—	5,000,000 *(Note III)*	5,993,111	0.09%
James Chan	—	—	—	—	210,000 *(Note III)*	210,000	0.003%
Gan Kim See, Wendy	—	—	—	—	420,000 *(Note III)*	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, a wholly-owned subsidiary of Chiltonlink Limited, held 237,919,824 shares and Eisner Investments Limited held 33,747,000 shares. Li Tzar Kai, Richard owned 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 112,935,177 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 112,935,177 shares of PCCW held by PCGH;

(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 certain wholly-owned subsidiaries being 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. Li Tzar Kai, Richard was also deemed to be interested in 0.91% of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard. 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; and

(iv) a deemed interest in 324,000 shares of PCCW held by PineBridge Investments LLC ("PBI LLC") in the capacity as investment manager. PBI LLC was an indirect subsidiary of Chiltonlink Limited and Li Tzar Kai, Richard owned 100% of Chiltonlink Limited. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 324,000 shares of PCCW held by PBI LLC.

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) 9,600,000 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, 2010, 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 01.01.2010	Number of options Outstanding at 06.30.2010
Alexander Anthony Arena	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
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
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

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, 2010, 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.

GENERAL INFORMATION

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.

Details of the options which have been granted and outstanding under the 2003 Scheme during the six months ended June 30, 2010 are as follows:

1. Outstanding options as at January 1, 2010 and as at June 30, 2010

					Number of options	
Category of participant	Date of grant	Vesting period	Exercisable period	Exercise price HK$	Outstanding as at 01.01.2010	Outstanding as at 06.30.2010
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

GENERAL INFORMATION

SHARE OPTION SCHEMES - CONTINUED

2. Options granted during the six months ended June 30, 2010

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

3. Options exercised during the six months ended June 30, 2010

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

4. Options cancelled or lapsed during the six months ended June 30, 2010

   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, 2010, 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	Approximate 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	506,488,500 *(Note II)*	21.04%
Peter Cundill & Associates (Bermuda) Ltd.	Investment manager	124,952,000	5.19%

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 202,595,400 Shares held by The Liverpool Limited Partnership and the 303,893,100 Shares held by Elliott International, L.P.

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

As at June 30, 2010, 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, 2010, 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.

GENERAL INFORMATION

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2010, 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, 2010 and has held one meeting during the period under review.

PUBLIC FLOAT

As at June 30, 2010, the percentage of shares held by the public was approximately 17.43%, which was below the minimum percentage prescribed under Rule 8.08 (the "Minimum Prescribed Percentage") of the Listing Rules. The shortfall existed because the shareholding of Elliott Capital Advisors, L.P. (through certain entities it controlled) was approximately 21.04% of the issued share capital in the Company and hence Elloitt Capital Advisors, L.P. was a substantial shareholder and a connected person of the Company. As such, the shareholding of Elloitt Capital Advisors, L.P. was not counted towards the public float. 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, 2010 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, 2010, except that the Chairman of the Board was unable to attend the Company's annual general meeting held on May 10, 2010 (which was required under the code provision E.1.2) as he needed to attend overseas business meeting of the Company.

MODEL CODE SET OUT IN APPENDIX 10 OF 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, 2010.

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

REGISTERED OFFICE

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Rosebank Centre
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Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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