



Pacific Century
Premium Developments
盈科大衍地產發展

STOCK CODE: 00432

INTERIM REPORT 2012



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STATEMENT FROM THE CHAIRMAN

WE WILL CONTINUE SEEKING
SUITABLE PROJECTS GLOBALLY,
ESPECIALLY IN THE HIGH-GROWTH
AREAS OF SOUTH EAST ASIA.



STATEMENT FROM THE CHAIRMAN

The debt crisis in Europe continued to slow down global economic growth during the first half of 2012. Investors remained wary about the possibility of worldwide financial turmoil if Greece or any other countries were forced out of the Eurozone.

China has relaxed its tight monetary policy by cutting the reserve ratio of banks and lowering interest rates. At the same time, expectations grew about the possibility of US launching another round of quantitative easing.

Hong Kong's property market was robust during the period under review. As the Bel-Air project comes to its closure, we are focusing our efforts on developing our two overseas projects in Hokkaido, Japan, and Phang-nga, Thailand.

These two projects are proceeding according to their schedules, and the show house in Niseko, Japan will soon be completed. As for the project in Phang-nga, Thailand, the master plan is at an advanced stage.

At the special general meeting held on May 2, 2012, 98.49% of the Company's attending independent shareholders voted in favour of the offer to repurchase shares. Additionally, 99.86% of the attending shareholders voted to authorize the Board to issue four bonus shares (or bonus convertible notes in lieu) for every ordinary share held by the shareholders with a view towards increasing

the public float of the Company, so that it can attain the minimum 25% stipulated by the Listing Rules. These corporate actions were successful, the public float has been restored, and the trading of Company shares resumed on June 25, 2012 along with the share consolidation.

Looking ahead, we will continue seeking suitable projects globally, especially in the high-growth areas of South East Asia.



Richard Li

Chairman

August 10, 2012

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

THE BEL-AIR PROJECT IS NEAR ITS END, THE COMPANY IS WORKING ON TWO OVERSEAS PROJECTS, ONE IN HOKKAIDO, JAPAN, AND THE OTHER IN PHANG-NGA, THAILAND.



STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

I am pleased to report that the Group recorded a consolidated turnover of approximately HK\$848 million during the six months ended June 30, 2012, as compared to approximately HK\$1,250 million during the corresponding period of 2011. Our consolidated operating profit for the period under review amounted to approximately HK\$162 million, as compared to approximately HK\$232 million during the same period last year. The Group's consolidated net profit for the period under review totalled HK\$29 million, as compared to approximately HK\$84 million during the corresponding period of 2011. Basic earnings per share in the six months ended June 30, 2012 were approximately 1.32 Hong Kong cents as compared to approximately 3.51 Hong Kong cents during the first half of 2011.

The Board of Directors has not declared an interim dividend for the six months ended June 30, 2012.

Hong Kong's GDP grew by just 0.4% in the first quarter of 2012, representing a sharp decline as compared to the 3% growth recorded during the final quarter of last year.

The decline in GDP was mainly due to a slowdown in exports caused by the difficulties in the external environment. However, the domestic sector has remained strong, and we expect the economy to pick up if the Chinese and US economies are strengthened by their stimulation measures.

While the Bel-Air project is near its end, the Company is working on two overseas projects, one in Hokkaido, Japan, and the other in Phang-nga, Thailand, and both are proceeding according to their respective schedules.

During the period under review, the Company has, with the support of the majority of independent shareholders, successfully implemented the share repurchase offer, arranged for the re-financing of the convertible note which will be due for redemption in 2014, and issued bonus shares as well as bonus convertible notes for the purpose of restoring the minimum public float of Company shares. The minimum public float requirement under the Listing Rules was successfully met by the issue of bonus shares and bonus convertible notes, and the trading of Company shares on the Hong Kong Stock Exchange was resumed on June 25, 2012. As of June 30, 2012, the total number of issued tradable shares was 397,630,713, with a par value of HK\$0.50 each.

PCPD is maintaining its long-term growth and profitability by developing large-scale projects, and the Company will continue to be vigilant in identifying further business opportunities in China, South East Asia and around the world.



Robert Lee

Deputy Chairman and Chief Executive Officer
August 10, 2012

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, 2012 is as follows:

BUSINESS REVIEW

Property development

The Group's revenue from property development in Hong Kong for the six months ended June 30, 2012 amounted to approximately HK\$636 million as compared to approximately HK\$1,027 million for the corresponding period in 2011.

Regarding the property development in Hong Kong, formal agreements for sale and purchase of two houses of Villa Bel-Air were entered into in July 2012 leaving one house unsold at present. The Group will continue to proceed with the sale of the unsold house towards the closing of the Cyberport project. The revenue and profits from the sale of such houses will be recognised in accordance with the appropriate accounting standards.

In the first half of 2012, there was no allocation of net surplus proceeds from the Cyberport project between the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") and the Group in accordance with the Cyberport Project Agreement.

As for the Group's overseas projects, the detailed design works of Hanazono all-season resort project in Hokkaido, Japan, are progressing according to schedules. As for the project in Phang-nga, Southern Thailand, the master plan for the project has reached an advanced stage.

Property investment in Mainland China

The Group's investment property, namely, Pacific Century Place, is located at the heart of Beijing, China. The gross floor area being let by the Group is approximately 169,900 square metres (the "lettable area") and the tenants of the property comprise corporations, retailers and residential tenants. The average occupancy rate of the lettable area was approximately 66 per cent for the six months ended June 30, 2012 resulting from the increase of vacant space upon the expiry of the department store lease.

The Group's gross rental income of such investment property amounted to approximately HK\$119 million for the six months ended June 30, 2012, as compared to approximately HK\$127 million for the corresponding period in 2011.

Other businesses

The other businesses of the Group included property management in Hong Kong, Mainland China and Japan, as well as the Hanazono all-season resort operation. The revenue from these other businesses for the six months ended June 30, 2012 amounted to approximately HK\$93 million, as compared to approximately HK\$96 million for the corresponding period in 2011.

FINANCIAL REVIEW

Review of results

The consolidated turnover of the Group was approximately HK\$848 million for the six months ended June 30, 2012 representing a decrease of approximately 32 per cent as compared to approximately HK\$1,250 million for the corresponding period in 2011, such decrease was due to reduced revenue from property sale.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Group's consolidated gross profit for the six months ended June 30, 2012 was approximately HK\$368 million, representing a decrease of approximately 26 per cent as compared to approximately HK\$494 million for the corresponding period in 2011. The decrease in consolidated gross profit was a result of reduction in turnover.

The general and administrative expenses were approximately HK\$222 million for the six months ended June 30, 2012, representing a decrease of 23 per cent as compared to approximately HK\$289 million for the corresponding period in 2011. The decrease was due to reduction of spending including staff costs and professional fees comparing to the same period of last year. Direct expenses amounting to approximately HK\$27 million in relation to the capital restructuring were charged to equity according to the Companies Act 1981 of Bermuda.

In view of the above reasons, the Group's consolidated operating profit for the six months ended June 30, 2012 decreased to approximately HK\$162 million, as compared to approximately HK\$232 million for the corresponding period in 2011.

As a result, the Group recorded a consolidated net profit of approximately HK\$29 million for the six months ended June 30, 2012, as compared to approximately HK\$84 million for the corresponding period in 2011. Basic earnings per share during the period under review were 1.32 Hong Kong cents, as compared to 3.51 Hong Kong cents for the corresponding period in 2011.

In accordance with the applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the revenue and profits from the sale of property development are and would be

recognised on completion of a 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, 2012, the Group held current assets of approximately HK\$3,258 million (December 31, 2011: HK\$4,789 million). These mainly consisted of properties held for sale, cash and bank deposits, sales proceeds held in stakeholders' accounts and restricted cash. The decrease in current assets reflects the decrease in cash and bank deposits which was mainly attributable to the payment of the total consideration of approximately HK\$1,526 million by the Company to the shareholders who accepted the Offer (as defined in page 46) for completing the repurchase of shares in accordance with the terms of the Offer. Properties held for sale in current assets decreased from approximately HK\$456 million as at December 31, 2011 to approximately HK\$157 million as at June 30, 2012. Cash and bank deposits amounted to approximately HK\$1,127 million as at June 30, 2012 (December 31, 2011: HK\$2,855 million). Sales proceeds held in stakeholders' accounts decreased by 8 per cent from approximately HK\$632 million as at December 31, 2011 to approximately HK\$581 million as at June 30, 2012. Restricted cash increased from approximately HK\$703 million as at December 31, 2011 to approximately HK\$1,275 million as at June 30, 2012.

As at June 30, 2012, the Group's total current liabilities amounted to approximately HK\$1,308 million, as compared to approximately HK\$1,345 million as at December 31, 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital structure, liquidity and financial resources

As at June 30, 2012, the Group's borrowings amounted to approximately HK\$2,817 million, as compared to total borrowings of HK\$2,799 million as at December 31, 2011. The increase represented the recognition of amortised redemption premiums of HK\$24 million for the 2014 Convertible Note held by PCCW-HKT for the principal of HK\$2,420 million, netted off by HK\$6 million bank loan repayment during the period. As at June 30, 2012, the Group's borrowings comprised the RMB2.5 million short-term bank loan and the 2014 Convertible Note which (a) carries a fixed interest rate of 1 per cent per annum and (b) will become repayable at 120 per cent of the outstanding principal amount at maturity in May 2014. As the 2014 Convertible Note is held by a fellow subsidiary of the Company's major shareholder, it has not been included in the total debt for the calculation of the debt-to-equity ratio of the Group. As at June 30, 2012, the debt-to-equity ratio excluding such 2014 Convertible Note was 0.1 per cent (as at December 31, 2011: 0.1 per cent). Unless such 2014 Convertible Note is fully redeemed or converted by the due date, the amount due under it on such due date would be re-financed by the 2019 Convertible Note agreed to be subscribed by PCCW-HKT under the subscription agreement made on March 2, 2012 as approved by independent shareholders at the special general meeting of May 2, 2012.

The Group's business transactions, assets and liabilities were mainly denominated in Hong Kong dollars. Revenue denominated in Renminbi and Japanese Yen accounted for approximately 15 per cent and 7 per cent of the Group's total turnover respectively. The assets of the Group in Mainland China, Japan and Thailand represented approximately 61 per cent, 7 per cent and 6 per cent of the Group's total assets respectively.

All of the Group's borrowings were denominated in Hong Kong dollars and Renminbi. Cash and bank deposits were held mainly in US dollars, Renminbi and Hong Kong dollars, and the remainder were in Thai Baht and Japanese Yen. As the Group had certain foreign operations, its net assets were exposed to the risk of foreign currency exchange rate fluctuation. The Group's currency exchange rate exposure with respect to these operations is mainly relating to Renminbi, Thai Baht and Japanese Yen.

The cash used in operating activities in the six months ended June 30, 2012 amounted to approximately HK\$142 million, while the cash generated from its operating activities amounted to approximately HK\$155 million for the corresponding period in 2011.

Income tax

The Group's income tax for the six months ended June 30, 2012 was approximately HK\$52 million as compared to approximately HK\$78 million for 2011.

Charge on assets

As at June 30, 2012, certain investment properties of the Group with an aggregate carrying value of approximately HK\$5,377 million (December 31, 2011: HK\$5,424 million) were pledged to secure banking facilities of the Group.

Contingent liabilities

One of the Group's 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 up to RMB10 million, provided that the lessee serves termination notice due to the aforesaid reason.

MANAGEMENT'S DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2012, the Group employed a total number of 318 staff in Hong Kong and overseas. The remuneration policies of the Group 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, based on the performance of individual employees and the Group's performance as a whole. The Group also provides comprehensive employee benefits, including medical insurance, a choice of a provident fund or a mandatory provident fund as well as training programmes.

The 2003 Scheme (as defined in page 43) was terminated on May 13, 2005, and was replaced with the 2005 Scheme (as defined in page 43). The 2005 Scheme is valid and effective for a period of 10 years from the date of its adoption while the outstanding options granted before the adoption of the 2005 Scheme would continue to follow the terms of the 2003 Scheme until the expiry of such outstanding options.

DIVIDEND

The Board did not declare an interim dividend for the six months ended June 30, 2012 (2011: Nil).

The Board did not recommend the payment of a final dividend for the year ended December 31, 2011.

OUTLOOK

The unresolved Euro debt crisis continued to affect the world's economy during the first half of 2012. The Eurozone's leaders worked closely to identify solutions that would avoid any of its member nations being forced out of this important economic entity.

Hong Kong was not immune from the global economic volatility, and the pace of its economic growth has declined significantly in the first quarter of 2012 as compared to the last quarter of 2011. However, the city's negative sentiment has recovered to a certain extent as Mainland China has relaxed its hitherto tight monetary policy and as there are increasing expectations for the United States to launch another round of quantitative easing measures in order to boost its economy.

Hong Kong's property market remained robust in the period under review. The Bel-Air project has come to the closing stage, and the Company is focusing its efforts on developing its overseas projects in Hokkaido, Japan, and Phang-nga, Thailand. Both of these overseas projects will require substantial investment lead-time before they will enter into a net profit-generation phase.

Following the completion of the Offer in May 2012 with the availability of re-financing by the 2019 Convertible Note, the Group will continue to maintain the financial strength for the ongoing development of its overseas projects in the coming years and such overseas projects are proceeding in accordance with their respective schedules.

Looking ahead, the Group will cautiously seek out other opportunities in high-growth countries around the world, including Mainland China and South East Asia.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Chairman

Mr Li, aged 45, 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 of PCPD Board. He became a director of PCPD in May 2004. He also holds positions in the following companies:

- (1) chairman and executive director of PCCW Limited (“PCCW”);
- (2) chairman of PCCW’s Executive Committee;
- (3) a member of PCCW’s Nomination Committee of the PCCW board;
- (4) executive chairman and executive director of HKT Limited (“HKT”) and HKT Management Limited, the trustee-manager of the HKT Trust;
- (5) chairman of HKT’s Executive Committee;
- (6) member of HKT’s Nomination Committee of the HKT board;
- (7) chairman and chief executive of the Pacific Century Group; and
- (8) chairman of Singapore-based Pacific Century Regional Developments Limited.

Mr Li is a non-executive director of The Bank of East Asia, Limited. He is also a member of the Global Information Infrastructure Commission. Mr Li was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

LEE Chi Hong, Robert

Deputy Chairman and Chief Executive Officer

Mr Lee, aged 61, is an executive director, the deputy chairman, 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, Mr Lee 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, Mr Lee 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.

BOARD OF DIRECTORS

Mr Lee had 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

Deputy Chief Executive Officer and Chief Financial Officer

Mr Lam, aged 51, is an executive director, the deputy chief executive officer, the chief financial officer of PCPD and a member of PCPD's Executive Committee. 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 and 2003, Mr Lam was an executive director and the group chief financial officer of Sino Land. Prior to joining Sino Land, he had worked in 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

Mr Chan, aged 58, is an executive director, the project director of PCPD and a member of PCPD's Executive Committee. He became a director of PCPD in August 2005. Mr Chan is responsible for managing various property projects of PCPD and its subsidiaries. He was responsible for the project execution of the Cyberport project and has overall responsibility for all aspects of the construction works. Mr Chan has become an independent non-executive director of Beijing Properties (Holdings) Limited since June 2011.

Prior to joining PCCW in October 2002, Mr Chan was a practising architect and had worked 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. Mr Chan possesses a wide spectrum of experience in the property industry and has been active in the property business for more than 33 years.

BOARD OF DIRECTORS

GAN Kim See, Wendy

Mr Chan holds a Bachelor of Arts in Architectural Studies degree from HKU, a Bachelor of Architecture degree from the University of Dundee in Scotland and an Executive Master of Business Administration degree from Tsinghua University. He is qualified as the Authorised 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 Australian Institute of Architects.

Ms Gan, aged 47, 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 sales and marketing of projects in Hong Kong and overseas.

Ms Gan's 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 HKU and is currently a member of the Court of HKU. She also holds 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. She sits on the Management Board of HKU School of Professional and Continuing Education and is an Honorary Advisor of HKU Foundation for Educational Development and Research. Ms Gan received a Diploma in Surveying from the College of Estate Management, United Kingdom and is a member of the Royal Institution of Chartered Surveyors, the Hong Kong Institute of Surveyors and the Real Estate Developers Association of Hong Kong. Ms Gan is also an individual member (Appraisers Group) of China Institute of Real Estate Appraisers and Agents.

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHEUNG Kin Piu, Valiant

Mr Cheung, aged 66, is an independent non-executive director of PCPD, the chairman of PCPD's Remuneration Committee of the Board and a member of PCPD's Audit Committee and Nomination Committee of the Board. 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 People's Republic of China ("PRC"). Mr Cheung 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.

Mr Cheung 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 the following listed companies in Hong Kong:

- (1) Dah Chong Hong Holdings Limited;
- (2) The Bank of East Asia, Limited ("BEA"); and
- (3) Vitasoy International Holdings Limited.

In addition, Mr Cheung is also an independent non-executive director of The Bank of East Asia (China) Limited, a non-listed company and a wholly-owned subsidiary of BEA.

Prof WONG Yue Chim, Richard, SBS, JP

Prof Wong, aged 60, is an independent non-executive director of PCPD, the chairman of PCPD's Audit Committee and a member of PCPD's Remuneration Committee and Nomination Committee of the Board. He became a director of PCPD in July 2004.

Prof Wong is a Professor of Economics at HKU. He was awarded the Silver Bauhinia Star in 1999 by the HKSAR Government for his contributions in education, housing, industry and technology development. In addition, Prof Wong 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 currently an independent non-executive director of the following listed companies in Hong Kong:

- (1) CK Life Sciences Int'l., (Holdings) Inc.;
- (2) Great Eagle Holdings Limited;
- (3) Orient Overseas (International) Limited; and
- (4) Sun Hung Kai Properties Limited.

BOARD OF DIRECTORS

Dr Allan ZEMAN, GBM, GBS, JP

Prof Wong is also an independent non-executive director of the following companies:

- (1) The Link Management Limited (the manager of The Link Real Estate Investment Trust);
- (2) Hong Kong Mercantile Exchange Limited; and
- (3) Industrial and Commercial Bank of China (Asia) Limited (withdrawal of listing of shares on The Stock Exchange of Hong Kong Limited since 21 December 2010).

Dr Zeman, aged 64, is an independent non-executive director of PCPD, the chairman of PCPD's Nomination Committee of the Board and a member of PCPD's Audit Committee of the Board. 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 Corporation ("Ocean Park"), a major theme park in Hong Kong, which manages and controls the Ocean Park. 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 ("WKCD"), the chairman of WKCD's Performing Arts Committee and member of WKCD's Development Committee, the Investment Committee and

the Consultation Panel. He is also a member of the Commission on Strategic Development of Central Policy Unit and Food Business and Related Services Task Force of the Economic Analysis and Business Facilitation Unit of the HKSAR Government. In addition, Dr Zeman is a member of the Board of Governors of the Canadian Chamber of Commerce in Hong Kong, the General Committee member of the Hong Kong General Chamber of Commerce and a member of the Asian Advisory Board of the Richard Ivey School of Business, The University of Western Ontario.

Dr Zeman is also a director of The "Star" Ferry Company, Limited, a vice chairman and non-executive director of Wynn Macau, Limited, an independent non-executive director of Sino Land and Tsim Sha Tsui Properties Limited. Dr Zeman is also a director of Wynn Resorts, Limited, a listed company in the United States. He was an independent non-executive director of The Link Management Limited (the manager of The Link Real Estate Investment Trust) from September 2004 to July 2011.

FINANCIAL INFORMATION

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2012

HK\$ million	Note(s)	2012 (Unaudited)	2011 (Unaudited)
Turnover	2	848	1,250
Cost of sales		(480)	(756)
Gross profit		368	494
General and administrative expenses		(222)	(289)
Other income		—	11
Other gains, net		11	—
Surplus on revaluation of investment properties		5	16
Operating profit		162	232
Interest income		14	11
Finance costs		(95)	(81)
Profit before taxation	2, 3	81	162
Income tax	4	(52)	(78)
Profit attributable to equity holders of the Company		29	84
Other comprehensive (loss)/income:			
Currency translation differences:			
Exchange differences on translating foreign operations		(69)	117
Total comprehensive (loss)/income		(40)	201
Earnings per share (expressed in Hong Kong cents per share)			
Basic	6	1.32 cents	3.51 cents
Diluted	6	1.32 cents	3.51 cents

Remark: Upon completion of the issue of bonus shares and bonus convertible notes (to those shareholders who elected to receive bonus convertible notes in lieu of entitlement to bonus shares) and the share consolidation on June 22, 2012 and June 25, 2012 respectively, the Company had in issue 397,630,713.2 ordinary shares and the aggregated amount of HK\$592,572,154.40 outstanding bonus convertible notes which could be converted into 1,185,144,308 fully paid ordinary shares of HK\$0.50 each, representing a total of 1,582,775,021.2 shares which form the basis for the calculation of basic earnings per share. Adjustments have been made for the shares repurchased during the period. Details of the calculation of earnings per share and the Company's share capital are set out in notes 6 and 11 respectively.

The notes on pages 21 to 36 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2012

HK\$ million	2012 (Unaudited)							Retained earnings	Total
	Issued equity	Capital reserve (note a)	Currency translation reserve	Convertible notes reserve	Other reserve	Employee share-based compensation reserve			
Balance at January 1, 2012	4,321	(565)	1,271	769	—	17	1,354	7,167	
Total comprehensive (loss)/income for the period	—	—	(69)	—	—	—	29	(40)	
Transaction with owners:									
Shares repurchased and cancelled (note 11(c))	(1,526)	—	—	—	—	—	—	(1,526)	
Issued bonus shares and issued bonus convertible notes (note 11(d))	41	—	—	592	—	—	(633)	—	
Direct expenses related to share repurchase, issue of bonus shares and bonus convertible notes	—	—	—	—	—	—	(27)	(27)	
Subscription Agreement for the right to issue 2019 Convertible Note (note 7)	—	—	—	—	10	—	—	10	
Balance at June 30, 2012	2,836	(565)	1,202	1,361	10	17	723	5,584	

HK\$ million	2011 (Unaudited)							Retained earnings	Total
	Issued equity	Capital reserve (note a)	Currency translation reserve	Convertible notes reserve	Other reserve	Employee share-based compensation reserve			
Balance at January 1, 2011	4,321	(565)	1,031	769	—	17	1,292	6,865	
Total comprehensive income for the period	—	—	117	—	—	—	84	201	
Balance at June 30, 2011	4,321	(565)	1,148	769	—	17	1,376	7,066	

- 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 36 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2012

HK\$ million	Note	As at June 30, 2012 (Unaudited)	As at December 31, 2011 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		5,427	5,469
Property, plant and equipment		268	281
Properties under development		514	508
Properties held for development		639	618
Intangible asset		18	14
Goodwill		4	4
Derivative financial instrument	7	21	—
Other receivables		3	3
		6,894	6,897
Current assets			
Properties held for sale		157	456
Sales proceeds held in stakeholders' accounts		581	632
Restricted cash		1,275	703
Trade receivables, net	8	10	12
Prepayments, deposits and other current assets		101	112
Amounts due from fellow subsidiaries	15(c)	4	16
Amounts due from related companies	15(c)	3	3
Cash and cash equivalents		1,127	2,855
		3,258	4,789

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2012

HK\$ million	Note	As at June 30, 2012 (Unaudited)	As at December 31, 2011 (Audited)
Current liabilities			
Short-term borrowings		3	9
Current portion of long-term borrowings		24	24
Trade payables	9	13	45
Accruals, other payables and deferred income		394	573
Deposits received on sales of properties		6	64
Amounts due to fellow subsidiaries	15(c)	8	4
Amount payable to the HKSAR Government under the Cyberport Project Agreement	10	810	603
Current income tax liabilities		50	23
		1,308	1,345
Net current assets		1,950	3,444
Total assets less current liabilities		8,844	10,341
Non-current liabilities			
Long-term borrowings		2,579	2,505
Deferred income tax liabilities		681	669
		3,260	3,174
Net assets		5,584	7,167
REPRESENTING:			
Issued equity	11	2,836	4,321
Reserves		2,748	2,846
		5,584	7,167

The notes on pages 21 to 36 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2012

HK\$ million	2012 (Unaudited)	2011 (Unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(142)	155
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(14)	(28)
Purchase of intangible asset	(4)	—
Increase in short-term deposits with maturity more than three months	—	(590)
NET CASH USED IN INVESTING ACTIVITIES	(18)	(618)
FINANCING ACTIVITIES		
Repayment of borrowings	(6)	—
Repurchase of shares	(1,526)	—
Payment of direct expenses related to share repurchase and issue of bonus shares and bonus convertible notes	(27)	—
NET CASH USED IN FINANCING ACTIVITIES	(1,559)	—
DECREASE IN CASH AND CASH EQUIVALENTS	(1,719)	(463)
Exchange difference	(9)	13
CASH AND CASH EQUIVALENTS		
Balance at January 1,	2,855	2,179
Balance at June 30,	1,127	1,729
Analysis of cash and cash equivalents		
Cash and bank balances	2,402	4,220
Less: Short-term deposits	—	(590)
Less: Restricted cash	(1,275)	(1,901)
Cash and cash equivalents at June 30,	1,127	1,729

The notes on pages 21 to 36 form part of these unaudited condensed consolidated financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012

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, 2011, 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. In preparing these unaudited condensed consolidated financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those which applied to the consolidated financial statements as at and for the year ended December 31, 2011.

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, 2011, 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, 2012:

Amendments to HKAS 12, Income Taxes

In December 2010, the HKICPA amended HKAS 12, “Income taxes”, to introduce an exception to the principle for the measurement of deferred tax assets or liabilities arising on an investment property measured at fair value. The revised HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. The amendment introduces a rebuttable presumption that an investment property measured at fair value is recovered entirely by sale. The presumption of recovery entirely by sale is rebutted if the investment property is held within a business model whose objective is to consume substantially all the economic benefits embodied in the investment property over time, rather than through sale. The amendment is applicable retrospectively to annual periods beginning on or after January 1, 2012.

For the investment properties held by the Group amounting to HK\$5,427 million as at June 30, 2012, the Group’s business model is that the entity owning the investment properties will recover the value through use and on this basis the presumption of sale has been rebutted. Consequently, the Group has continued to recognise the deferred taxes on the basis that the value of investment properties is recovered through use. There is no impact on the Group’s results of operations and financial position.

Amendments effective from January 1, 2012 adopted by the Group but have no significant impact on the Group’s financial statements

HKFRS 1 (Amendment)	Severe Hyperinflation
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012

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	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
For the six months ended June 30,										
Revenue from external customers	636	1,027	119	127	93	96	—	—	848	1,250
Inter-segment revenue	—	—	—	—	1	5	(1)	(5)	—	—
Reportable segment revenue	636	1,027	119	127	94	101	(1)	(5)	848	1,250
Interest income	1	1	9	6	—	—	—	—	10	7
Unallocated interest income	—	—	—	—	—	—	—	—	4	4
Consolidated interest income	—	—	—	—	—	—	—	—	14	11
Finance costs	—	—	—	—	—	—	—	—	—	—
Unallocated finance costs	—	—	—	—	—	—	—	—	95	81
Consolidated finance costs	—	—	—	—	—	—	—	—	95	81
Depreciation and amortisation	1	1	12	10	5	9	—	—	18	20
Unallocated depreciation and amortisation	—	—	—	—	—	—	—	—	3	5
Consolidated depreciation and amortisation	—	—	—	—	—	—	—	—	21	25
Profit/(loss) before taxation	181	271	71	78	(4)	(3)	—	—	248	346
Unallocated corporate expenses	—	—	—	—	—	—	—	—	(167)	(184)
Consolidated profit before taxation	—	—	—	—	—	—	—	—	81	162

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012

2. TURNOVER AND SEGMENT INFORMATION — CONTINUED

HK\$ million	Property development in Hong Kong		Property investment in Mainland China		Other businesses (note a)		Elimination		Consolidated	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
As at										
Segment assets	2,013	1,794	6,169	6,169	1,514	1,522	—	—	9,696	9,485
Unallocated corporate assets									456	2,201
Consolidated total assets									10,152	11,686
Segment liabilities	1,084	1,087	747	749	52	68	—	—	1,883	1,904
Unallocated corporate liabilities									2,685	2,615
Consolidated total liabilities									4,568	4,519

- a. Revenues from segments below the quantitative thresholds are attributable to seven operating segments of the Group. Those segments include property developments in Thailand and Japan, property management in Hong Kong and Japan, asset 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, 2012

3. PROFIT BEFORE TAXATION

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

HK\$ million	Six months ended June 30,	
	2012	2011
Crediting:		
Gross rental income from investment properties	119	127
Other rental income	11	—
Less: outgoings	(19)	(10)
Other income from deposits forfeited	—	10
Surplus on revaluation of investment properties	5	16
Charging:		
Cost of properties sold	436	726
Depreciation, included in:		
– cost of sales	3	—
– general and administrative expenses	21	25
Staff costs, included in:		
– cost of sales	11	11
– general and administrative expenses	72	93
Contributions to defined contribution retirement schemes	4	3
Auditors' remuneration	2	3
Operating lease rental of land and buildings, included in:		
– cost of sales	7	—
– general and administrative expenses	24	26
Operating lease rental of equipment	2	1
Net foreign exchange loss	6	2

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2011: 16.5 per cent) on the estimated assessable profits for the period.

Taxation for Mainland China and 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,	
	2012	2011
Current income tax		
Hong Kong profits tax	29	38
Income tax outside Hong Kong	5	8
Deferred income tax		
Change in fair value of investment properties	1	3
Other origination and reversal of temporary differences	17	29
	52	78

5. DIVIDEND

HK\$ million	Six months ended June 30,	
	2012	2011
Interim dividend declared (2011: Nil)	—	—

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012

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,	
	2012	2011
Earnings (HK\$ million)		
Earnings for the purpose of calculating the basic earnings per share	29	84
Finance costs on 2014 Convertible Note recognised in the consolidated statement of comprehensive income	87	73
Earnings for the purpose of calculating the diluted earnings per share	116	157
	Six months ended June 30,	
	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share	2,186,110,175	2,407,459,873
Effect of dilutive potential ordinary shares on conversion of 2014 Convertible Note 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	2,858,332,397	3,079,682,095

The weighted average number of ordinary shares for the six months ended June 30, 2012 and June 30, 2011 for the purpose of calculating the basic and diluted earnings per share has been retrospectively adjusted for the issuance of bonus shares and bonus convertible notes at four (4) bonus shares for every one (1) issued ordinary share and the five-to-one share consolidation which took place on June 22, 2012 and June 25, 2012 respectively.

Pursuant to the terms of the applicable deed poll, the bonus convertible notes will confer the holders the same economic interests attached to the bonus shares. The aggregated amount of HK\$592,572,154.40 outstanding bonus convertible notes which could be converted into 1,185,144,308 fully paid ordinary shares of HK\$0.50 each is included in the weighted average number of ordinary shares for calculating the basic earnings per share for the six months ended June 30, 2012 and June 30, 2011.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012

6. EARNINGS PER SHARE – CONTINUED

As the effect of the issuance of bonus shares and bonus convertible notes, and the share consolidation was netted off, there was no impact on the basic and diluted earnings per share for the six months ended June 30, 2011.

The diluted earnings per share for the six months ended June 30, 2012 and June 30, 2011 are the same as the basic earnings per share as all potential additional ordinary shares are anti-dilutive.

7. DERIVATIVE FINANCIAL INSTRUMENT

On March 2, 2012, PCPD Wealth Limited (a wholly-owned subsidiary of the Company) as the issuer, PCCW-HKT Partners Limited (“PCCW-HKT”) (a wholly-owned subsidiary of PCCW) as the subscriber and the Company as the guarantor, entered into a subscription agreement, whereby, subject to the terms and conditions set out therein, PCCW-HKT agreed to subscribe for a new convertible note due in 2019 (“2019 Convertible Note”) on the maturity date (being May 9, 2014) of the existing convertible note (“2014 Convertible Note”). The subscription for the 2019 Convertible Note will be effected by applying the whole of the redemption amount due, and not repaid, on the maturity of the 2014 Convertible Note to the payment of the subscription money on May 9, 2014. Management considered that the right to issue the 2019 Convertible Note is not a modification of the 2014 Convertible Note. It is recognised as a derivative financial instrument at fair value as at March 2, 2012 of HK\$10 million which is credited to equity under “other reserve” as a contribution from the equity holder of the Company. Fair value gain on the derivative financial instrument of HK\$11 million is recognised during the period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012

8. TRADE RECEIVABLES, NET

An aging analysis of trade receivables is set out below:

HK\$ million	As at June 30, 2012	As at December 31, 2011
Current	8	8
One to three months	1	3
More than three months	3	3
	12	14
Less: Provision for impairment	(2)	(2)
	10	12

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 up to 30 days from the date of the invoice unless there is separate mutual agreement on extension of the credit period.

9. TRADE PAYABLES

An aging analysis of trade payables is set out below:

HK\$ million	As at June 30, 2012	As at December 31, 2011
Current	9	42
One to three months	3	2
More than three months	1	1
	13	45

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012

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

HK\$ million	2012		
	Government share under the Cyberport Project Agreement (note a)	Others	Total
Balance at January 1, 2012	569	34	603
Addition to amount payable	237	—	237
Settlement during the period	—	(30)	(30)
Balance at June 30, 2012	806	4	810

HK\$ million	2011		
	Government share under the Cyberport Project Agreement (note a)	Others	Total
Balance at January 1, 2011	1,574	32	1,606
Addition to amount payable	765	2	767
Settlement during the period	(599)	—	(599)
Balance at June 30, 2011	1,740	34	1,774

- 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012

11. ISSUED EQUITY

	The Group	
	Number of shares	Issued equity
	(note a)	HK\$ million (note a)
Ordinary shares of HK\$0.10 each at December 31, 2011	2,407,459,873	4,321
Share repurchased and cancelled (note c)	(824,684,851)	(1,526)
Bonus issue of shares on June 22, 2012 (note d)	405,378,544	41
Ordinary shares of HK\$0.10 each at June 22, 2012	1,988,153,566	2,836
Effect to the number of shares after increase in nominal value of each share from HK\$0.10 to HK\$0.50 upon share consolidation taking effect on June 25, 2012 (note f)	(1,590,522,853)	—
Ordinary shares of HK\$0.50 each at June 30, 2012 (note g)	397,630,713	2,836

- 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012

11. ISSUED EQUITY – CONTINUED

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, 2011	10,000,000,000	1,000
Increase in authorised share capital on May 2, 2012 (note e)	10,000,000,000	1,000
Ordinary shares of HK\$0.10 each at May 2, 2012	20,000,000,000	2,000
Effect to the number of shares after increase in nominal value of each share from HK\$0.10 to HK\$0.50 upon share consolidation taking effect on June 25, 2012 (note f)	(16,000,000,000)	—
Ordinary shares of HK\$0.50 each at June 30, 2012	4,000,000,000	2,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at December 31, 2011	2,407,459,873	241
Share repurchased and cancelled (note c)	(824,684,851)	(82)
Bonus issue of shares on June 22, 2012 (note d)	405,378,544	40
Ordinary shares of HK\$0.10 each at June 22, 2012	1,988,153,566	199
Effect to the number of shares after increase in nominal value of each share from HK\$0.10 to HK\$0.50 upon share consolidation taking effect on June 25, 2012 (note f)	(1,590,522,853)	—
Ordinary shares of HK\$0.50 each at June 30, 2012 (note g)	397,630,713	199

c. Pursuant to an ordinary resolution passed at the special general meeting of the Company held on May 2, 2012 in respect of the approval of the conditional cash offer to repurchase shares of the Company (“Offer”) and the announcement dated May 16, 2012 in relation to the results of the Offer, 824,684,851 ordinary shares of HK\$0.10 each were repurchased in May 2012 for cancellation at a price of HK\$1.85 per share. These shares were subsequently cancelled after repurchase.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012

11. ISSUED EQUITY – CONTINUED

- d. Pursuant to an ordinary resolution passed at the special general meeting of the Company held on May 2, 2012 and the announcements dated May 16, 2012 and June 21, 2012 in relation to the bonus issue of shares (with a right for shareholders to elect to receive bonus convertible notes in lieu of bonus shares), 405,378,544 bonus shares of HK\$0.10 each were allotted and issued on June 22, 2012 on the basis of four (4) bonus shares for every one (1) issued ordinary share held by the qualifying shareholders of the Company whose names appeared on the register of members of the Company on May 30, 2012 (other than those qualifying shareholders who had elected to receive bonus convertible notes in lieu of all of their entitlement to the bonus shares).

Bonus convertible notes of HK\$592,572,154.40 at the conversion price of HK\$0.10 per share was issued by the Company on June 22, 2012. Immediately after the share consolidation which took effect on June 25, 2012 (see note 11(f)), the conversion price of the bonus convertible notes was adjusted from HK\$0.10 per share to HK\$0.50 per share pursuant to the terms of the applicable deed poll.

The bonus convertible notes are unlisted and irredeemable but have conversion rights entitling the noteholders to convert into an equivalent number of shares as the number of bonus shares which the noteholders would otherwise be entitled to receive under the bonus issue had the shareholder not elected for the bonus convertible notes. The bonus convertible notes do not carry voting rights at any general meeting of shareholders of the Company. The noteholders can exercise the conversion rights at any time after the issue of bonus convertible notes, subject to the terms and conditions of the applicable deed poll constituting the bonus convertible notes. The bonus convertible notes were recognised as equity and are presented in “convertible notes reserve”.

- e. Pursuant to an ordinary resolution passed at the special general meeting of the Company held on May 2, 2012, the authorised share capital of the Company was increased from HK\$1,000,000,000 divided into 10,000,000,000 shares of HK\$0.10 each to HK\$2,000,000,000 divided into 20,000,000,000 shares of HK\$0.10 each by the creation of 10,000,000,000 new shares of HK\$0.10 each.
- f. Pursuant to an ordinary resolution passed at the special general meeting of the Company held on June 20, 2012, every five (5) issued and unissued shares of HK\$0.10 each were consolidated into one (1) share of HK\$0.50 with effect from June 25, 2012. Following the share consolidation becoming effective on June 25, 2012, the authorised share capital of the Company became HK\$2,000,000,000 divided into 4,000,000,000 shares of HK\$0.50 each, of which 397,630,713.2 shares are in issue and fully paid. The shares after the share consolidation rank pari passu in all respects with each other.
- g. As at June 30, 2012, the number of the total issued and fully paid consolidated ordinary shares of HK\$0.50 each was 397,630,713.2. Fractional shares amounted to 1.2 ordinary shares of HK\$0.50 each were generated from the share consolidation on June 25, 2012 and are retained by the Company in accordance with the terms of the share consolidation. Such fractional shares are registered under the name of a wholly-owned subsidiary of the Company. Amongst such 1.2 fractional shares, 0.2 share of which is not tradable on the main board of The Stock Exchange of Hong Kong Limited and such 0.2 share is not shown in this section.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012

12. CAPITAL COMMITMENTS

HK\$ million	As at June 30, 2012	As at December 31, 2011
Authorised and contracted for	111	117
Authorised but not contracted for	2	10
	113	127

13. 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:

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 up to RMB10 million, provided that the lessee serves termination notice due to the aforesaid reason.

14. CHARGE ON ASSETS

As at June 30, 2012, certain assets of the Group with an aggregate carrying value of HK\$5,377 million (December 31, 2011: HK\$5,424 million) were pledged to secure banking facilities of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012

15. MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by PCCW, a company incorporated in Hong Kong, which owns 74.51 per cent (December 31, 2011: 61.53 per cent) of the Company's shares. The remaining 25.49 per cent of the shares are held by public as at June 30, 2012 (the remaining 38.47 per cent of the shares are held by public and by a substantial shareholder as at December 31, 2011). 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,	
	2012	2011
Sales of services:		
– Fellow subsidiaries		
Office leases rental	5	5
– Related companies		
Facility management services	12	10
Office leases rental	1	—
Other services	—	1
Purchases of services:		
– Fellow subsidiaries		
Corporate services	3	2
Office sub-leases	3	3
Information technology and other logistic services	2	2

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2012

15. MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

b. Details of key management compensation

HK\$ million	Six months ended June 30,	
	2012	2011
Salaries and other short-term employee benefits	14	14
Bonuses	—	8
Directors' fees	—	—
Post-employment benefits	1	1
	15	23

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

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

HK\$ million	As at	As at
	June 30, 2012	December 31, 2011
Receivables from related parties:		
– Fellow subsidiaries	4	16
– Related companies	3	3
	7	19
Payables to related parties:		
– Fellow subsidiaries	8	4

d. Loan from a fellow subsidiary

The loan from a fellow subsidiary represents the face value of the 2014 Convertible Note 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	2012	2011
Balance at January 1,	2,790	2,742
Interest expenses	12	12
Interest paid	(12)	(12)
Provision for redemption premium	24	24
Balance at June 30,	2,814	2,766

GENERAL INFORMATION

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

As at June 30, 2012, the directors and the chief executive of the Company and their associates had the following interests and short positions in the shares, share stapled units, underlying shares, underlying share stapled units and debentures of the Company or its associated corporations (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, 2012, the Company had not been notified of any interest or short position 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, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES – CONTINUED

2. Associated Corporations of the Company

A. Interests in PCCW Limited (“PCCW”)

The tables below set 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 and the debentures issued by PCCW-HKT Capital No.2 Limited, an associated corporation of PCCW, as at June 30, 2012.

(i) Shares and Underlying Shares

Name of director/ chief executive	Personal interests	Number of ordinary shares			Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital
		Family interests	Corporate interests	Other interests			
Li Tzar Kai, Richard	-	-	271,666,824 (Note I(a))	1,740,004,335 (Note I(b))	-	2,011,671,159	27.66%
Lee Chi Hong, Robert	992,600 (Note II(a))	511 (Note II (b))	-	-	5,000,000 (Note III)	5,993,111	0.08%
James Chan	-	-	-	-	210,000 (Note III)	210,000	0.003%
Gan Kim See, Wendy	-	-	-	-	240,000 (Note III)	240,000	0.003%

(ii) Debentures

Name of director/ chief executive	Name of Company	Personal interests	Family interests	Amount of debentures			Total
				Corporate interests	Other interests		
Li Tzar Kai, Richard	PineBridge Investments Asia Limited	-	-	-	US\$10,000,000 6% guaranteed notes due 2013 (Note IV)	US\$10,000,000 6% guaranteed notes due 2013	

GENERAL INFORMATION

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

2. Associated Corporations 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 (“Chiltonlink”), held 237,919,824 shares and Eisner Investments Limited (“Eisner”) held 33,747,000 shares. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner.
- (b) These interests comprised:
 - (i) a deemed interest in 36,726,857 shares of PCCW held by Yue Shun Limited (“Yue Shun”), 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 (the “Trustee Holding Companies”), which owned all the shares of 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. With effect from 16 July 2012, Li Tzar Kai, Richard ceased to have any interest in the issued share capital of the Trustee Holding Companies;
 - (ii) a deemed interest in 154,785,177 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 154,785,177 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 itself and certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 75.78% 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 the issued share capital 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 281,000 shares of PCCW held by PineBridge Investments LLC (“PBI LLC”) in the capacity of investment manager. PBI LLC was an indirect subsidiary of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 281,000 shares of PCCW held by PBI LLC.

GENERAL INFORMATION

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

2. Associated Corporations of the Company – Continued

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

Notes: – Continued

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

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

III. These interests represented interests in the underlying shares in respect of share options granted by PCCW under its share option scheme adopted on September 20, 1994 to the directors and the chief executive of the Company as beneficial owners as at June 30, 2012, 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 01.01.2012	Outstanding as at 06.30.2012
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	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	240,000	240,000

IV. PineBridge Investments Asia Limited (“PBIA”) in the capacity of investment manager held US\$10,000,000 of the 6% guaranteed notes due 2013 (the “Notes”) issued by PCCW-HKT Capital No.2 Limited, an associated corporation of PCCW. PBIA was an indirect subsidiary of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the amount of US\$10,000,000 of the Notes held by PBIA.

V. As at June 30, 2012, there was a total of 7,272,294,654 shares of PCCW in issue.

As at June 30, 2012, the Company had not been notified of any short position 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

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

2. Associated Corporations of the Company – Continued

B. Interests in the HKT Trust and HKT Limited

The table below sets out the aggregate long positions in the share stapled units which were jointly issued by the HKT Trust and HKT Limited (the “Share Stapled Units”) and the underlying Share Stapled Units held by the directors and the chief executive of the Company as at June 30, 2012:

Name of director/ chief executive	Number of Share Stapled Units				Number of underlying Share Stapled Units held under equity derivatives	Total	Approximate percentage of issued Share Stapled Units
	Personal interests	Family interests	Corporate interests	Other interests			
Li Tzar Kai, Richard	–	–	219,573,506 (Note I(a))	125,358,732 (Note I(b))	–	344,932,238	5.38%
Lee Chi Hong, Robert	43,156 (Note II(a))	22 (Note II(b))	–	–	–	43,178	0.0007%

Each Share Stapled Unit confers an interest in:

- (a) one voting ordinary share of HK\$0.0005 in HKT Limited (“HKT”); and
- (b) one voting preference share of HK\$0.0005 in HKT,

for the purposes of Part XV of the SFO, in addition to an interest in one unit in the HKT Trust.

Under the trust deed dated November 7, 2011 constituting the HKT Trust, entered into between HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) and HKT, and as supplemented, amended or substituted from time to time, and the amended and restated articles of association of HKT, the number of ordinary shares and preference shares of HKT in issue must be the same at all times and must also, in each case, be equal to the number of units of the HKT Trust in issue; and each of them is equal to the number of Share Stapled Units in issue.

GENERAL INFORMATION

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

2. Associated Corporations of the Company – Continued

B. Interests in the HKT Trust and HKT Limited – Continued

Notes:

- I. (a) Of these Share Stapled Units,
 - (i) PCD held 17,142,046 Share Stapled Units; and
 - (ii) Eisner held 202,431,460 Share Stapled Units.
- (b) These interests comprised:
 - (i) a deemed interest in 2,646,156 Share Stapled Units held by Yue Shun. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 2,646,156 Share Stapled Units held by Yue Shun;
 - (ii) a deemed interest in 11,152,220 Share Stapled Units held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 11,152,220 Share Stapled Units held by PCGH;
 - (iii) a deemed interest in 111,548,140 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 111,548,140 Share Stapled Units held by PCRD; and
 - (iv) a deemed interest in 12,216 Share Stapled Units held by PBI LLC in the capacity of investment manager. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 12,216 Share Stapled Units held by PBI LLC.
- II. (a) These Share Stapled Units were jointly held by Lee Chi Hong, Robert and his spouse.
- (b) These Share Stapled Units were held by the spouse of Lee Chi Hong, Robert.
- III. As at June 30, 2012, there was a total of 6,416,730,792 Share Stapled Units in issue.

As at June 30, 2012, the Company had not been notified of any short position in the shares, Share Stapled Units, underlying shares, underlying Share Stapled Units or debentures of HKT 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.

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, 2012 are as follows:

1. Outstanding options as at January 1, 2012 and as at June 30, 2012

Category of participant	Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of options	
					Outstanding as at 01.01.2012	Outstanding as at 06.30.2012
Director of a subsidiary of the Company	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.

As at June 30, 2012, the total number of shares of the Company that might be issued upon exercise of all share options granted and yet to be exercised under the 2003 Scheme was 5,000,000 shares, which represented approximately 1.26% of the issued share capital of the Company immediately after the bonus issue of shares and the issue of bonus convertible notes (which took place on June 22, 2012) (the “Bonus Issue”) and the share consolidation which became effective on June 25, 2012 (the “Share Consolidation”).

There was no adjustment to the number of the outstanding share options or the subscription price of such outstanding options as a result of the recent reorganisation of capital structure of the Company in relation to the Bonus Issue and the Share Consolidation announced on May 16, 2012. It was certified by Anglo Chinese Corporate Finance, Limited (“Anglo Chinese”), the financial adviser to the Company, that adjustments to the subscription price per share of the Company which might fall to be issued upon the exercise of the aforesaid share options as a result of the Bonus Issue and the Share Consolidation respectively would be net off and would result in no adjustment. For details of the Bonus Issue and the Share Consolidation of the Company, please refer to the listing document and the circular of the Company both dated June 4, 2012 and the announcement of the Company dated June 21, 2012.

2. Options granted during the six months ended June 30, 2012

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

3. Options exercised during the six months ended June 30, 2012

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

4. Options cancelled or lapsed during the six months ended June 30, 2012

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, 2012, 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
PCCW	Beneficial owner	2,153,555,554 (<i>Note</i>)

Note:

These interests comprised, immediately after the Bonus Issue and the Share Consolidation, (a) an interest in 296,266,666 shares in the Company held by Asian Motion Limited (“Asian Motion”) a wholly-owned subsidiary of PCCW; (b) an interest in 1,185,066,666 underlying shares of the Company in relation to the bonus convertible notes in the aggregate amount of HK\$592,533,333.20 as held by Asian Motion; and (c) an interest in respect of 672,222,222 underlying shares of the Company in relation to the guaranteed convertible note held by PCCW-HKT Partners Limited, a wholly-owned subsidiary of PCCW, in the amount of HK\$2,420,000,000 issued by PCPD Wealth Limited, a wholly-owned subsidiary of the Company, on December 29, 2006.

The Share Consolidation has given rise to certain fractional consolidated shares (“Fractional Consolidated Shares”). The Fractional Consolidated Shares have not been issued to the shareholders of the Company but all such Fractional Consolidated Shares are aggregated and, if possible, will be sold for the benefit of the Company. On that basis, and after aggregation, the 0.6 Fractional Consolidated Share resulted from the consolidation of shares held by Asian Motion has not been issued to Asian Motion. Instead, such 0.6 Fractional Consolidated Share is held by the Company’s nominee pending the sale thereof.

2. Short Positions in the Company

As at June 30, 2012, 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, 2012, 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

With the approval by independent shareholders at the special general meeting of May 2, 2012, the Company had implemented a conditional cash offer (made by Anglo Chinese on behalf of the Company) to repurchase for cancellation up to 926,126,540 issued ordinary shares of HK\$0.10 each held by the shareholders of the Company (the “Offer”). In relation to the Offer, PCCW Group had given undertaking not to accept the same. Following the close of the Offer on May 16, 2012, a total of 824,684,851 issued ordinary shares of HK\$0.10 each were repurchased and cancelled by the Company in May 2012. For details of the result of the Offer, please refer to the announcement dated May 16, 2012.

Save as aforesaid, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company for the six months ended June 30, 2012.

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, 2012 and has held one meeting during the period under review.

PUBLIC FLOAT

For the purpose of restoration of minimum public float of shares of the Company as prescribed under Rule 8.08(1) of the Listing Rules, the Board announced on May 16, 2012 that pursuant to the mandate granted by the shareholders at the special general meeting of May 2, 2012, it had resolved to effect a bonus issue of new shares (on the basis of four bonus shares for one issued share) and issue of bonus convertible notes to shareholders who elected to receive such notes in lieu of bonus shares (the “Bonus Issue”) and the Company announced on June 21, 2012 that based on the election results of the bonus convertible notes the Bonus Issue was successful in assisting the Company to restore the minimum public float of shares of the Company as prescribed under the Listing Rules, being not less than 25% of the issued share capital of the Company. The Bonus Issue was completed on June 22, 2012.

In order to minimise the adjustment to the market price of the shares of the Company by the effect of the Bonus Issue, the Company implemented a share consolidation (on the basis of every five issued and unissued shares of HK\$0.10 each to be consolidated into one share of HK\$0.50) in accordance with the advice of its financial adviser Anglo Chinese and the shareholders’ approval at the special general meeting of June 20, 2012 (the “Share Consolidation”). After the Bonus Issue and upon the Share Consolidation becoming effective on June 25, 2012, the total number of the issued shares of the Company, excluding the 0.2 non-tradable Fractional Consolidated Share, was 397,630,713 with a nominal value of HK\$0.50. For details of the Bonus Issue and the Share Consolidation, please refer to the listing document and circular of the Company both dated June 4, 2012 and the announcements dated May 16, 2012 and June 21, 2012.

As at the date of the interim results announcement of the Company for the six months ended June 30, 2012, the Company complied with the public float requirement under Rule 8.08(1) of the Listing Rules.

GENERAL INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all relevant code provisions of the Code on Corporate Governance Practices (“Former CG Code”) as set out in Appendix 14 to the Listing Rules during the period from January 1, 2012 to March 31, 2012. On April 1, 2012, the Former CG Code was amended and renamed as Corporate Governance Code (“Amended CG Code”). The Company has also complied with all relevant code provisions of the Amended CG Code during the period from April 1, 2012 to June 30, 2012, except that the Chairman of the Board was unable to attend the Company’s annual general meeting held on May 2, 2012 due to an overseas business trip, and the letters of appointment for directors were issued to all directors in August 2012 pursuant to Code Provision D.1.4 of the Amended CG Code.

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 (the “PCPD Code”), on terms not less exacting than the required standard under the Model Code.

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, 2012.

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*)

Lee Chi Hong, Robert

(*Deputy Chairman and Chief Executive Officer*)

Lam Yu Yee

(*Deputy Chief Executive Officer
and Chief Financial Officer*)

James Chan

Gan Kim See, Wendy

Independent Non-Executive Directors

Cheung Kin Piu, Valiant

Prof Wong Yue Chim, Richard, SBS, JP

Dr Allan Zeman, GBM, GBS, JP

COMPANY SECRETARY

Cheng Wan Seung, Ella

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