



Pacific Century
Premium Developments
盈科大衍地產發展

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INTERIM REPORT 2013



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STATEMENT FROM THE CHAIRMAN

SOUTHEAST ASIA'S GROWTH
MOMENTUM IS EXPECTED TO
CONTINUE IN THE YEARS AHEAD.

STATEMENT FROM THE CHAIRMAN

The US economy has improved during the second quarter of 2013, with both the employment market and manufacturing sector performing better than expected. However, the uncertainty over the Federal Reserves' timetable for winding down the easing measures has created volatility to the equity markets around the world.

The economies of countries in Asia have generally remained resilient in the past six months. The stimulus measures taken by the Japanese government seem to have some positive effect on the economy. Southeast Asia's growth momentum is also expected to continue in the years ahead.

PCPD is committed to strengthening its presence in the Asia Pacific region, especially in high-growth areas like Southeast Asia. On May 23, 2013, we entered into a conditional sale and purchase agreement for the acquisition of a plot of land in the prime area of Sudirman CBD of Jakarta, Indonesia, which we plan for the development of a world class office building.

Indonesia is one of the fastest-growing economies in Asia, with its GDP rising by an annual average of approximately 6.3 per cent between 2010 and 2012. Demand for offices in Jakarta's business districts has also been strong. This is reflected by the consistent increase in rental levels and capital value for Grade A offices in the city during recent years. We believe this demand will continue to follow the trajectory of Indonesia's economic growth, and that our project will eventually bring us reasonable returns.

Our existing projects in Hokkaido, Japan, and Phang-nga, Thailand, are proceeding in accordance with their respective schedules. Meanwhile, we are considering various plans to revamp our investment property – Pacific Century Place in Beijing in order to enhance its long-term value.

Economic growth around the world, including Asia, will benefit from the recovery of the US economy in the long run. PCPD will continue to identify opportunities for other suitable projects in a cautious manner.



Richard Li

Chairman

August 5, 2013

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

THIS ACQUISITION IS IN LINE
WITH OUR BUSINESS STRATEGY OF
DEVELOPING MAJOR PROJECTS IN
THE ASIA PACIFIC REGION.

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

The Group has recorded a consolidated turnover of approximately HK\$499 million during the six months ended June 30, 2013, as compared to approximately HK\$848 million for the corresponding period in 2012. Our consolidated operating profit for the period under review amounted to approximately HK\$216 million, as compared to a consolidated operating profit of approximately HK\$162 million for the corresponding period in last year. The Group's consolidated net profit for the period under review totalled HK\$31 million, as compared to a consolidated net profit of approximately HK\$29 million for the corresponding period in 2012. Basic earnings per share in the six months ended June 30, 2013 was approximately 1.94 HK cents, as compared to approximately 1.32 HK cents during the first half of 2012.

The Board of Directors has not declared an interim dividend for the six months ended June 30, 2013.

During the period under review, the global economic environment has improved since the dire situation in mid-2012. However, it is still affected by a number of uncertainties.

Southeast Asia has benefited from robust domestic demand and investment; and this part of Asia is set to gain from further cooperation between the Association of Southeast Asian Nations (ASEAN) countries and their regional trading partners.

On May 23, 2013, PCPD announced the acquisition of a plot of land located in Jakarta, Indonesia. This proposal was approved by the Company's shareholders at the special general meeting held on July 16, 2013 and the transaction was completed on July 24, 2013. PCPD plans to build on the site a 40-storey Grade A office building with a development area of not less than 132,000 square metres. It is expected that the total investment cost – including the consideration for the land acquisition, construction and other expenses – will amount to approximately US\$400 million (i.e. approximately HK\$3,105 million). This will be funded by our internal resources and credit facilities. The project is scheduled for completion by the end of 2016.

The project's site is in the Sudirman CBD, a prime business district known as the "Jakarta's Golden Triangle". This acquisition is in line with our business strategy of developing major projects in the Asia Pacific region with a view to sustaining our long-term growth and profitability.

As we are making preparation for initiating the planning and development of this new project, our existing ones in Hokkaido, Japan, and Phang-nga, Thailand, are moving ahead in line with their respective schedules, and they will be developed in phases in the years ahead. Meanwhile, the Company is also planning to conduct a large-scale renovation of Pacific Century Place in Beijing in order to enhance its value.



Robert Lee

Deputy Chairman and Chief Executive Officer
August 5, 2013

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 ("Company") and its subsidiaries (together with the Company, "Group") for the six months ended June 30, 2013 set out below:

BUSINESS REVIEW

Property development

The Group's revenue from property development in Hong Kong for the six months ended June 30, 2013 amounted to approximately HK\$283 million as compared to approximately HK\$636 million for the corresponding period in 2012.

In Hong Kong, the Group has sold all of the remaining houses at Villa Bel-Air. The revenue and profit from the sale of such houses have been recognised in accordance with the appropriate accounting standards.

In the first half of 2013, the seventeenth batch and the eighteenth batch of the net surplus proceeds from the Cyberport project, approximately HK\$691 million in total, were allocated between the Government of the Hong Kong Special Administrative Region ("HKSAR Government") and the Group in accordance with the Cyberport Project Agreement. As a result, the HKSAR Government received approximately HK\$446 million while the Group retained approximately HK\$245 million during the period under review.

As for the Group's overseas projects, the progress of the detailed designs of Hanazono all-season resort project in Hokkaido, Japan, is on schedule. 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 ("PCP Beijing"), is located at a premium location in Beijing, China. The gross floor area being let by the Group is approximately 169,900 square metres ("lettable area") and the tenants of the property comprise corporations, retailers and residential tenants. The average occupancy rate of the property based on the lettable area was approximately 61 per cent for the six months ended June 30, 2013 which has taken into account the increase in vacant space upon the expiry of the lease of the department store at the property.

The Group's gross rental income of such investment property amounted to approximately HK\$119 million for the six months ended June 30, 2013, as compared to approximately HK\$119 million for the corresponding period in 2012.

All-season recreation activities in Japan

The Group's revenue from the all-season recreation activities in Niseko, Hokkaido, Japan, for the six months ended June 30, 2013 amounted to approximately HK\$53 million as compared to approximately HK\$52 million for the corresponding period in 2012.

Other businesses

Other businesses of the Group mainly include property management in Hong Kong and Japan and property investment and facilities management in Hong Kong. The revenue from these other businesses amounted to approximately HK\$44 million for the six months ended June 30, 2013, as compared to approximately HK\$41 million for the corresponding period in 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Review of results

The consolidated turnover of the Group was approximately HK\$499 million for the six months ended June 30, 2013, representing a decrease of approximately 41 per cent from approximately HK\$848 million for the corresponding period in 2012. Such decrease was due to decrease in the revenue recognised from property sale in the first half of 2013.

The Group's consolidated gross profit for the six months ended June 30, 2013 was approximately HK\$229 million, representing a decrease of approximately 38 per cent from approximately HK\$368 million for the corresponding period in 2012. The decrease in consolidated gross profit was a result of the decrease in turnover.

The general and administrative expenses were approximately HK\$241 million for the six months ended June 30, 2013, representing an increase of 9 per cent from approximately HK\$222 million for the corresponding period in 2012, mainly due to the increase in staff costs and legal and professional fees incurred during the period.

The Group's consolidated operating profit for the six months ended June 30, 2013 increased to approximately HK\$216 million, as compared to approximately HK\$162 million for the corresponding period in 2012, as the increase in fair value of investment properties recorded for the six months ended June 30, 2013 amounted to approximately HK\$230 million which was higher than the HK\$5 million recorded for the corresponding period in 2012.

As a result, the Group recorded a consolidated net profit after taxation of approximately HK\$31 million for the six months ended June 30, 2013, as compared to approximately HK\$29 million for the corresponding period in 2012. Basic earnings per share during the period under review were 1.94 Hong Kong cents, as compared to 1.32 Hong Kong cents for the corresponding period in 2012.

Current assets and liabilities

As at June 30, 2013, the Group held current assets of approximately HK\$4,097 million (December 31, 2012: HK\$3,208 million), mainly comprising cash and cash equivalents, sales proceeds held in stakeholders' accounts, restricted cash and prepayments, deposits and other current assets. The increase in current assets reflects the increase in cash and bank deposits; such increase was mainly attributable to the fact that term loans in the aggregate of HK\$1,500 million have been drawn down during the period. Cash and cash equivalents amounted to approximately HK\$2,046 million as at June 30, 2013 (December 31, 2012: HK\$829 million). The amount of sales proceeds held in stakeholders' accounts decreased by approximately 19 per cent from approximately HK\$678 million as at December 31, 2012 to approximately HK\$550 million as at June 30, 2013. Restricted cash decreased from approximately HK\$1,319 million as at December 31, 2012 to approximately HK\$1,029 million as at June 30, 2013. A deposit for the amount of approximately HK\$357 million, which was paid for the purchase of a plot of land located in Jakarta, Indonesia, during the period was included under "Prepayments, deposits and other current assets" (please refer to the joint announcement of PCCW Limited ("PCCW") and the Company dated May 23, 2013).

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at June 30, 2013 the Group's total current liabilities amounted to approximately HK\$3,577 million, as compared to approximately HK\$1,377 million as at December 31, 2012. Such increase arose because the 2014 Convertible Note held by PCCW-HKT Partners Limited (a wholly-owned subsidiary of PCCW) ("PCCW-HKT") would expire within 12 months from the balance sheet date of June 30, 2013, as such the financial liability for the 2014 Convertible Note has been reclassified from non-current liabilities to current liabilities.

Capital structure, liquidity and financial resources

As at June 30, 2013, the Group's borrowings amounted to approximately HK\$4,363 million as compared to the total borrowings of HK\$2,839 million as at December 31, 2012. The increase was caused by (i) the drawdown of term loans in the aggregate of HK\$1,500 million under the loan facility which was granted under the Facility Agreement dated October 8, 2012 (please refer to the Company's announcement dated October 8, 2012), and (ii) 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. As at June 30, 2013, the Group's borrowings comprised (1) 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; and (2) bank loan of HK\$1,500 million. As the 2014 Convertible Note is held by a subsidiary of the Company's major shareholder, it has not been included as part of the total debt for the calculation of the net debt-to-equity ratio of the Group. As at June 30, 2013, the net debt-to-equity ratio (excluding such 2014 Convertible Note) was not provided (as at December 31, 2012: not provided). Net debt refers to the principal amount of borrowings minus the aggregate of (i) cash and cash equivalents and (ii) certain restricted cash. If such 2014 Convertible Note is not converted in full prior to the due date on May 9, 2014 and the redemption amount is not fully paid, the amount due under it on such due date

could be financed by the 2019 Convertible Note 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 25 per cent and 13 per cent of the Group's total turnover respectively. The assets of the Group in Mainland China, Thailand and Japan represented approximately 58 per cent, 6 per cent and 5 per cent of the Group's total assets respectively.

All of the Group's borrowings were denominated in Hong Kong dollars. 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.

Cash generated from operating activities in the six months ended June 30, 2013 was approximately HK\$83 million, while cash used in its operating activities for the corresponding period in 2012 was approximately HK\$142 million.

Income tax

The Group's income tax for the six months ended June 30, 2013 was approximately HK\$87 million, as compared to approximately HK\$52 million for the corresponding period in 2012. The increase of income tax was mainly a result of increase in deferred tax recognised on the revaluation surplus of investment properties.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Charge on assets

As at June 30, 2013, certain assets of the Group with an aggregate carrying value of approximately HK\$6,177 million (December 31, 2012: HK\$5,831 million) were pledged to banks to secure banking facilities and bank guarantee for the Group.

Contingent liabilities

An indirect wholly-owned subsidiary of the Company has agreed to make reimbursement to one of its lessees such that in case the alteration of the premises that lessee leases at PCP Beijing could not be carried out in order to allow for the expansion of the existing leased premises of the lessee, that subsidiary would purchase from the lessee the refurbishment assets at the premises at carrying value, subject to a maximum of RMB10 million, provided that the lessee serves termination notice due to the aforesaid reason. As at the reporting date, the estimated carrying value of the refurbishment assets is approximately RMB5 million.

An indirect wholly-owned subsidiary of the Company has given a bank guarantee to an independent third party in respect of construction work for a maximum amount of RMB4 million.

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2013, the Group employed a total number of 360 staff in Hong Kong and overseas. The remuneration policies of the Group are in line with prevailing industry practices. Bonuses are paid on a discretionary basis taking into account factors such as performance of individual employees and the Group's performance as a whole. The Group provides comprehensive employee benefits, including medical insurance, a choice of provident fund or mandatory provident fund as well as training programs. The Group is also a participating member of the PCCW employee share incentive award schemes.

The share option scheme that the Company adopted on March 17, 2003 ("2003 Share Option Scheme") was terminated and was replaced by the new share option scheme ("New Share Option Scheme") adopted at the Company's annual general meeting held on May 13, 2005. The New Share Option Scheme became effective 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 while the outstanding options granted before the adoption of the New Share Option Scheme would continue to apply the terms of the 2003 Share Option Scheme until the expiry of such outstanding options.

DIVIDENDS

The Board did not declare an interim dividend to shareholders and interim distribution to bonus convertible noteholders for the six months ended June 30, 2013 (2012: Nil).

The Board did not recommend the payment of a final dividend for the year ended December 31, 2012.

OUTLOOK

The US employment data for the first half of 2013 were better than expected; because of that, there is an increasing chance that the Federal Reserve would start to cut back on its massive monetary stimulus, i.e. the so-called quantitative easing, as soon as the third quarter. Investors around the world are getting nervous about the likelihood of the tightening of liquidity; and that has resulted in recent fluctuations in the global equity markets. However, improvement of the US economy will benefit the world's economic growth in the long run.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In Asia, Japan's economy has improved to some extent, despite the critics' doubts on the long-term effectiveness of the stimulus measures taken by the Japanese government. The depreciation of Japanese Yen has made premium-grade properties in the country more attractive among overseas buyers. Meanwhile, the momentum of Southeast Asia's growth is forecast to continue in the years ahead.

To strengthen its presence in the Asia Pacific region, the Group has in May 2013 entered into a Land Sale and Purchase Agreement with an independent third party to acquire a plot of land in the Sudirman Central Business District of Jakarta, Indonesia. The Land Sale and Purchase Agreement was completed on July 24, 2013. The Group plans to invest up to approximately US\$400 million (i.e. approximately HK\$3,105 million) in the development project of a 40-storey world-class Grade A office building in the capital of Southeast Asia's largest economy.

Both the rental levels and capital values of Grade A offices in Jakarta have increased at an average rate of approximately 40 per cent per annum over the last two years. This reflects the city's attractiveness as an investment destination and foreign companies are seeking to capitalise on its future growth. The Group is confident that the project will bring benefit to the Group once it is completed and becomes fully operational.

The Group's on-going projects, planning works in Hokkaido, Japan, and Phang-nga, Thailand are progressing on schedule, and the Company is also considering various plans to revamp PCP Beijing, in order to enhance its long-term value.

The Group's net asset position remains unchanged, although it has drawn down HK\$1,500 million from the credit facilities available to it; and part of it will be used to fund the acquisition mentioned above. The Company's management will continue to assess cautiously other opportunities in high-growth countries as they arise.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Chairman

Mr Li, aged 46, 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 and 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) a member of HKT’s Nomination Committee of the HKT board;
- (7) Chairman and Chief Executive of the Pacific Century Group; and
- (8) Chairman and Executive Director of Singapore-based Pacific Century Regional Developments Limited (“PCRD”), and the Chairman of PCRD’s Executive Committee.

Mr Li is a Non-Executive Director of The Bank of East Asia, Limited (“BEA”). He is also a member of the Center for Strategic and International Studies’ International Councillor’s Group in Washington, D.C., and 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 62, 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 and is a Director of certain PCCW subsidiaries.

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 Thomas Eggar incorporating 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 is a member of the International Council of the Louvre as well as an Ambassador for the Louvre in China.

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 52, 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 59, 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 and a non-executive director of Viva China Holdings Limited since June 2013.

Prior to joining PCCW in October 2002, Mr Chan was a practising architect and had worked for a major developer in Hong Kong, with comprehensive experience in design, planning and land matters, design development and construction management of major investment properties, 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 34 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 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 48, 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.

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 25 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 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 and is an alumna of the Harvard Graduate School of Design. She sits on the Management Board of HKU School of Professional and Continuing Education and is an Honorary Director 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 and received the "China Outstanding Woman" award in 2011.

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHEUNG Kin Piu, Valiant

Mr Cheung, aged 67, 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) 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 61, 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 Government of the Hong Kong Special Administrative Region 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); and
- (2) 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 65, 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, which manages and controls the Ocean Park, a major theme park in Hong Kong. He is also the chairman of Lan Kwai Fong Holdings Ltd, 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 and the Food Business Task Force of Business Facilitation Advisory Committee of the Government of the Hong Kong Special Administrative Region. 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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Financial Information
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2013

HK\$ million	Note(s)	2013 (Unaudited)	2012 (Unaudited)
Turnover	2	499	848
Cost of sales		(270)	(480)
Gross profit		229	368
General and administrative expenses		(241)	(222)
Other income		2	—
Other (losses)/gains, net		(4)	11
Surplus on revaluation of investment properties		230	5
Operating profit		216	162
Interest income		11	14
Finance costs		(109)	(95)
Profit before taxation	2, 3	118	81
Income tax	4	(87)	(52)
Profit attributable to equity holders of the Company		31	29
Other comprehensive loss:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences:			
Exchange differences on translating foreign operations		(8)	(69)
Total comprehensive income/(loss)		23	(40)
Earnings per share (expressed in Hong Kong cents per share)			
Basic	6	1.94 cents	1.32 cents
Diluted	6	1.94 cents	1.32 cents

The notes on pages 23 to 37 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2013

HK\$ million	2013 (Unaudited)							Total
	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserve	Employee share-based compensation reserve	Retained earnings	
Balance at January 1, 2013	2,836	(565)	1,274	1,361	10	17	761	5,694
Total comprehensive (loss)/income for the period	—	—	(8)	—	—	—	31	23
Balance at June 30, 2013	2,836	(565)	1,266	1,361	10	17	792	5,717

HK\$ million	2012 (Unaudited)							Total
	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserve	Employee share-based compensation reserve	Retained earnings	
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 a)	(1,526)	—	—	—	—	—	—	(1,526)
Issued bonus shares and issued bonus convertible notes (note b)	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 8)	—	—	—	—	10	—	—	10
Balance at June 30, 2012	2,836	(565)	1,202	1,361	10	17	723	5,584

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2013

- a. 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.
- b. 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 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 were issued by the Company on June 22, 2012. Immediately after the share consolidation which took effect on June 25, 2012, 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”.

The notes on pages 23 to 37 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2013

HK\$ million	Note	As at June 30, 2013 (Unaudited)	As at December 31, 2012 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	7	6,214	5,883
Property, plant and equipment		195	235
Properties under development		432	490
Properties held for development		676	678
Intangible asset		22	20
Goodwill		3	4
Derivative financial instrument	8	—	4
Other financial assets		1	1
Other receivables		2	2
		7,545	7,317
Current assets			
Properties held for sale		—	215
Sales proceeds held in stakeholders' accounts		550	678
Restricted cash		1,029	1,319
Trade receivables, net	9	17	23
Prepayments, deposits and other current assets		442	138
Amounts due from fellow subsidiaries	17(c)	3	3
Amounts due from related companies	17(c)	3	2
Other financial assets		2	1
Short-term deposits		5	—
Cash and cash equivalents		2,046	829
		4,097	3,208

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2013

HK\$ million	Note	As at June 30, 2013 (Unaudited)	As at December 31, 2012 (Audited)
Current liabilities			
Current portion of long-term borrowings	12	2,761	24
Trade payables	10	5	15
Accruals, other payables and deferred income		296	329
Deposits received on sales of properties		—	28
Amounts due to fellow subsidiaries	17(c)	2	14
Amount payable to the HKSAR Government under the Cyberport Project Agreement	11	509	959
Current income tax liabilities		4	8
		3,577	1,377
Net current assets		520	1,831
Total assets less current liabilities		8,065	9,148
Non-current liabilities			
Long-term borrowings	12	1,466	2,657
Other payables		1	1
Deferred income tax liabilities		881	796
		2,348	3,454
Net assets		5,717	5,694
REPRESENTING:			
Issued equity	13	2,836	2,836
Reserves		2,881	2,858
		5,717	5,694

The notes on pages 23 to 37 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2013

HK\$ million	2013 (Unaudited)	2012 (Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	83	(142)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(1)	(14)
Proceeds from disposal of property, plant and equipment	3	—
Payment for deposit for purchase of land	(357)	—
Payment for investment properties	(9)	—
Increase in intangible asset	(2)	(4)
Increase in short-term deposits with maturity more than three months	(5)	—
NET CASH USED IN INVESTING ACTIVITIES	(371)	(18)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	1,500	—
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 GENERATED FROM/(USED IN) FINANCING ACTIVITIES	1,500	(1,559)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,212	(1,719)
Exchange difference	5	(9)
CASH AND CASH EQUIVALENTS		
At January 1,	829	2,855
At June 30,	2,046	1,127

The notes on pages 23 to 37 form part of these unaudited condensed consolidated financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2013

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, 2012, 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, 2012.

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, 2012, 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, 2013:

Standards and amendments effective from January 1, 2013 adopted by the Group but have no significant impact on the Group’s financial statements

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (Amendment)	Employee Benefits
HKAS 27	Separate Financial Statements
HKAS 28	Investments in Associates and Joint Ventures
HKFRS 1 (Amendment)	Government Loans
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2013

2. TURNOVER AND SEGMENT INFORMATION – CONTINUED

HK\$ million	Property development in Hong Kong		Property investment in Mainland China		All-season recreation activities in Japan (note a)		Other businesses (notes a and b)		Consolidated	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
As at										
Segment assets	1,571	2,236	6,719	6,498	88	100	1,301	1,402	9,679	10,236
Unallocated corporate assets									1,963	289
Consolidated total assets									11,642	10,525
Segment liabilities	676	1,167	943	861	4	13	43	45	1,666	2,086
Unallocated corporate liabilities									4,259	2,745
Consolidated total liabilities									5,925	4,831

- a. The segment for all-season recreation activities in Japan has met the quantitative thresholds during the period ended June 30, 2013, therefore it is separately disclosed and its comparative figures have been restated. It was included in other businesses for the year ended December 31, 2012.
- b. Revenues from segments below the quantitative thresholds are attributable to six operating segments of the Group. Those segments include property management in Hong Kong and Japan and property investment and facilities management in Hong Kong while property developments in Thailand and Japan have not commenced revenue generation yet. None of these segments have 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, 2013

3. PROFIT BEFORE TAXATION

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

HK\$ million	Six months ended June 30,	
	2013	2012
Crediting:		
Gross rental income from investment properties	120	119
Other rental income	7	11
Less: outgoings	(18)	(19)
Surplus on revaluation of investment properties	230	5
Charging:		
Cost of properties sold	220	436
Depreciation	21	24
Staff costs, included in:		
– cost of sales	12	11
– general and administrative expenses	79	72
Contributions to defined contribution retirement schemes	4	4
Auditor's remuneration	3	2
Operating lease rental of land and buildings, included in:		
– cost of sales	3	7
– general and administrative expenses	23	24
Operating lease rental of equipment	1	2
Net foreign exchange loss	—	6

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2013

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2012: 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,	
	2013	2012
Current income tax		
– Hong Kong profits tax	10	29
– Income tax outside Hong Kong	5	5
Deferred income tax		
– Change in fair value of investment properties	58	1
– Other origination and reversal of temporary differences	14	17
	87	52

5. DIVIDEND

HK\$ million	Six months ended June 30,	
	2013	2012
Interim dividend declared	—	—

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2013

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,	
	2013	2012
Earnings (HK\$ million)		
Earnings for the purpose of calculating the basic earnings per share	31	29
Finance costs on 2014 Convertible Note recognised in the consolidated statement of comprehensive income	91	87
Earnings for the purpose of calculating the diluted earnings per share	122	116
	Six months ended June 30,	
	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share	1,582,775,022	2,186,110,175
Effect of dilutive potential ordinary shares on conversion of 2014 Convertible Note and the employee share options	672,906,941	672,222,222
Weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share	2,255,681,963	2,858,332,397

The weighted average number of ordinary shares for the six months ended June 30, 2012 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 upon the holders the same economic interests attached to the bonus shares. The aggregated amount of HK\$592,553,354.40 outstanding bonus convertible notes which could be converted into 1,185,106,708 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, 2013 and June 30, 2012.

The diluted earnings per share for the six months ended June 30, 2013 and June 30, 2012 are the same as the basic earnings per share as potential additional ordinary shares together are anti-dilutive.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2013

7. INVESTMENT PROPERTIES

A valuation of the Group's investment property in Mainland China was performed by an independent professional valuer to determine the fair value of the investment property as at June 30, 2013 while the management performed the valuation as at June 30, 2012 using income capitalisation method.

For the investment property in Hong Kong which the usage of this property is constrained by the Group's undertaking to the lessee, the management has performed a valuation as at June 30, 2013 using income capitalisation method assuming such constraint and current tenancy agreement will continue in its existing manner in the foreseeable future.

The fair value measurement information in accordance with HKFRS 13 are given below.

Recurring fair value measurement HK\$ million	Fair value measurement as at June 30, 2013		
	Quoted prices in active markets identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investment properties			
– Mainland China	—	6,162	—
– Hong Kong	—	52	—

Level 2 fair values of investment properties have been generally derived using the income capitalisation approach. Rental of comparable properties in close proximity are adjusted for differences in key attributes such as property size, the usage and the quality of the properties. The most significant input into this valuation approach is rental per square foot/metre.

8. DERIVATIVE FINANCIAL INSTRUMENT

On March 2, 2012, PCPD Wealth Limited (an indirect wholly-owned subsidiary of the Company) as the issuer, PCCW-HKT Partners Limited ("PCCW-HKT") (a wholly-owned subsidiary of PCCW Limited ("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") (note 12(a)). 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 was recognised as a derivative financial instrument at fair value as at March 2, 2012 of HK\$10 million which was credited to equity under "Other reserve" as a contribution from the equity holder of the Company. Fair value loss on the derivative financial instrument of HK\$4 million is recognised during the period (fair value gain of HK\$11 million for the period ended June 30, 2012).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2013

9. TRADE RECEIVABLES, NET

An aging analysis of trade receivables is set out below:

HK\$ million	As at June 30, 2013	As at December 31, 2012
Current	10	20
One to three months	3	2
More than three months	6	3
	19	25
Less: Provision for impairment	(2)	(2)
	17	23

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

10. TRADE PAYABLES

An aging analysis of trade payables is set out below:

HK\$ million	As at June 30, 2013	As at December 31, 2012
Current	4	15
One to three months	—	—
More than three months	1	—
	5	15

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2013

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

HK\$ million	2013		
	Government share under the Cyberport Project Agreement	Others	Total
At January 1, 2013	954	5	959
Deduction to amount payable	(4)	—	(4)
Settlement during the period	(446)	—	(446)
At June 30, 2013	504	5	509

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

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, 2013

12. LONG-TERM BORROWINGS

HK\$ million	As at June 30, 2013	As at December 31, 2012
Repayable within a period		
– not exceeding one year	2,761	24
– over one year, but not exceeding two years	—	2,657
– over two years, but not exceeding five years	1,466	—
	4,227	2,681
Representing:		
HK\$2,420 million 2014 Convertible Note (note a)	2,761	2,681
Bank borrowings (note b)	1,466	—
	4,227	2,681
Secured	1,466	—
Unsecured	2,761	2,681

- a. The 2014 Convertible Note with a principal amount of HK\$2,420 million or any part that may, at the discretion of PCCW or its designated subsidiary, the holder of the notes, be converted into 672,222,222 new shares of HK\$0.50 of the Company each at a conversion price of HK\$3.60 per share, subject to adjustment, issued to PCCW or its designated subsidiary at any time and from time to time on or after the date of issue (but on or prior to the maturity date of May 9, 2014) at the relevant conversion price.

The 2014 Convertible Note may be redeemed at 120 per cent of the outstanding principal amount if conversion does not occur. The Company has granted rights to an indirect wholly-owned subsidiary, the issuer of the 2014 Convertible Note, to purchase 672,222,222 shares of the Company at HK\$3.60 per share with expiry in 2014.

Interest expense on the 2014 Convertible Note is calculated using the effective interest method by applying the effective interest rate of 6.87 per cent (2012: 6.87 per cent) to the liability component.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2013

12. LONG-TERM BORROWINGS – CONTINUED

- b. On October 8, 2012, an indirect wholly-owned subsidiary of the Company was granted a three-year term and revolving loan facility up to an aggregate amount of HK\$3,000 million (the “2012 HKD Facility”). Such facility is secured by the shares and assets of certain indirect wholly-owned subsidiaries. On January 29, 2013 and February 7, 2013, the indirect wholly-owned subsidiary made drawdowns of HK\$200 million and HK\$1,300 million respectively. As at June 30, 2013, the balance of HK\$1,466 million (2012: nil) represents the total loan drawdown of HK\$1,500 million and net off by the professional fees and upfront fees of HK\$34 million.

The 2012 HKD Facility is subjected to the fulfilment of covenants relating to certain balance sheet ratios of the Group, as are commonly found in lending arrangements with financial institutions. If the covenants are breached, the outstanding principal and its accrued interest would have become payable on demand. The Group regularly monitors its compliance with these covenants. As at June 30, 2013, none of the covenants were breached.

- c. On October 8, 2012, an indirect wholly-owned subsidiary of the Company entered into a new RMB facility agreement which the lender would make available a three-year term loan facility up to an aggregate amount of RMB100 million (the “2012 RMB Facility”). The 2012 RMB Facility is a fixed asset loan, which shall be used towards the construction costs, and any other costs and expenses in connection with refurbishment, redecoration or maintenance or any other improvements of the assets owned by the indirect wholly-owned subsidiary. The RMB Facility is secured by the assets owned by the indirect wholly-owned subsidiary. No drawdown was made by the Group as at June 30, 2013.

13. ISSUED EQUITY

	The Group	
	Number of shares	Issued equity
	(note a)	HK\$ million (note a)
Ordinary shares of HK\$0.50 each at December 31, 2012	397,666,713	2,836
Conversion of bonus convertible notes (note c)	1,600	—
Ordinary shares of HK\$0.50 each at June 30, 2013 (note d)	397,668,313	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, 2013

13. 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\$0.50 each at December 31, 2012 and June 30, 2013	4,000,000,000	2,000
Issued and fully paid:		
Ordinary shares of HK\$0.50 each at December 31, 2012	397,666,713	199
Conversion of bonus convertible notes (note c)	1,600	—
Ordinary shares of HK\$0.50 each at June 30, 2013 (note d)	397,668,313	199

c. During the period ended June 30, 2013, bonus convertible notes in the amount of HK\$800 were exercised and converted into 1,600 ordinary shares.

d. As at June 30, 2013, the number of the total issued and fully paid consolidated ordinary shares of HK\$0.50 each was 397,668,313.2. 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 an indirect 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.

14. CAPITAL COMMITMENTS

HK\$ million	As at June 30, 2013	As at December 31, 2012
Authorised and contracted for	85	90
Authorised but not contracted for	1,922	6
	2,007	96

Out of the total HK\$1,922 million capital commitments authorised but not contracted for as at June 30, 2013, a sum of HK\$1,894 million is related to the land acquisition in Indonesia (refer to note 18) which one of the conditions precedent to the land sale and purchase agreement completion requires shareholders' approval as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. Such approval was obtained on July 16, 2013.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2013

15. 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) An indirect wholly-owned subsidiary of the Company has agreed to make reimbursement to one of its lessees such that in case the alteration of the premises that lessee leases at Pacific Century Place, Beijing could not be carried out in order to allow for the expansion of the existing leased premises of the lessee, that subsidiary would purchase from the lessee the refurbishment assets at the premises at carrying value, subject to a maximum of RMB10 million, provided that the lessee serves termination notice due to the aforesaid reason. As at the reporting date, the estimated carrying value of the refurbishment assets is approximately RMB5 million.
- (ii) An indirect wholly-owned subsidiary of the Company has given a bank guarantee to an independent third party in respect of construction work for a maximum amount of RMB4 million.

16. CHARGE ON ASSETS

Security pledged for certain bank loan facilities and bank guarantee includes:

HK\$ million	As at June 30, 2013	As at December 31, 2012
Investment properties	6,162	5,831
Short-term deposits	5	—
Restricted cash	10	—
	6,177	5,831

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2013

17. MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by PCCW, a company incorporated in Hong Kong, which owns 74.50 per cent (December 31, 2012: 74.50 per cent) of the Company's shares. The remaining 25.50 per cent of the shares are held by public as at June 30, 2013 (December 31, 2012: 25.50 per cent). 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,	
	2013	2012
Sales of services:		
– Fellow subsidiaries		
Office leases rental	8	5
– Related companies		
Facility management services	10	12
Office leases rental	1	1
Purchases of services:		
– Fellow subsidiaries		
Corporate services	3	3
Office sub-leases	2	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.

b. Details of key management compensation

HK\$ million	Six months ended June 30,	
	2013	2012
Salaries and other short-term employee benefits	15	14
Bonuses	3	—
Post-employment benefits	1	1
	19	15

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2013

17. MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

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

HK\$ million	As at June 30, 2013	As at December 31, 2012
Receivables from related parties:		
– Fellow subsidiaries	3	3
– Related companies	3	2
	6	5
Payables to related parties:		
– Fellow subsidiaries	2	14

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	2013	2012
At January 1,	2,839	2,790
Interest expenses	12	12
Interest paid	(12)	(12)
Provision for redemption premium	24	24
At June 30,	2,863	2,814

18. POST BALANCE SHEET EVENTS

As disclosed in the joint announcement of PCCW and the Company dated May 23, 2013 and the circular of the Company dated June 25, 2013 in relation to the proposed acquisition of a plot of land for the development of a Grade A office building in Jakarta, Indonesia, the total consideration under the land sale and purchase agreement is US\$184 million (equivalent to approximately HK\$1,428 million) (subject to various downward adjustments in certain circumstances). A deposit of US\$46 million (equivalent to approximately HK\$357 million) was placed with an escrow agent and recognised under “Prepayments, deposits and other current assets” in the condensed consolidated balance sheet as at June 30, 2013. The transaction was completed on July 24, 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

As at June 30, 2013, 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 and/or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“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 (“Model Code”) of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”):

1. The Company

As at June 30, 2013, the Company had not been notified of any interests or short positions in the shares or underlying shares or debentures of the Company held by the directors or the chief executive of the Company or their associates.

2. Associated 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 and PCCW-HKT Capital No.4 Limited, the associated corporations of PCCW, as at June 30, 2013:

(i) Shares and Underlying Shares

Name of director/ chief executive	Personal interests	Number of ordinary shares held		Other interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital
		Family interests	Corporate 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 III(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%

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

(ii) Debentures

Name of director/ chief executive	Name of Company	Personal interests	Amount of debentures held			Total
			Family interests	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
	ING Life Insurance Company (Bermuda) Limited	–	–	US\$9,000,000 4.25% guaranteed notes due 2016 (Note V)	–	US\$9,000,000 4.25% guaranteed notes due 2016

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 represented:
 - (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. 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;
 - (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 75.98% 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 and Li Tzar Kai, Richard owned 100% of the issued share capital 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 in the capacity of investment manager.

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 held jointly 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 the interests in 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, 2013, 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	Exercise period	Exercise price HK\$	Number of options	
					Outstanding as at 01.01.2013	Outstanding as at 06.30.2013
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 6% guaranteed notes due 2013 (“2013 Notes”) issued by PCCW-HKT Capital No.2 Limited, an associated corporation of PCCW. PBIA was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital 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 2013 Notes held by PBIA in the capacity of investment manager. Subsequent to June 30, 2013, the 2013 Notes were matured on July 15, 2013.

V. ING Life Insurance Company (Bermuda) Limited (“ING”) held US\$9,000,000 of 4.25% guaranteed notes due 2016 issued by PCCW-HKT Capital No.4 Limited, an associated corporation of PCCW. Li Tzar Kai, Richard indirectly owned 100% of the issued share capital of ING.

As at June 30, 2013, 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

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 (“Share Stapled Units”) and the underlying Share Stapled Units held by the directors and the chief executive of the Company as at June 30, 2013:

Name of director/ chief executive	Number of Share Stapled Units held				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	–	–	177,552,046 (Note I(a))	125,358,732 (Note I(b))	–	302,910,778	4.72%
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; and
- (b) one voting preference share of HK\$0.0005 in HKT Limited,

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 Limited as supplemented, amended or substituted from time to time and the amended and restated articles of association of HKT Limited, the number of ordinary shares and preference shares of HKT Limited 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, PCD held 17,142,046 Share Stapled Units, Eisner held 39,000,000 Share Stapled Units, and ING held 121,410,000 Share Stapled Units.
 - (b) These interests represented:
 - (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 in the capacity of investment manager.
- II. (a) These Share Stapled Units were held jointly by Lee Chi Hong, Robert and his spouse.
 - (b) These Share Stapled Units were held by the spouse of Lee Chi Hong, Robert.

As at June 30, 2013, the Company had not been notified of any short positions in the Share Stapled Units or underlying Share Stapled Units or in the shares, underlying shares or debentures of HKT Limited 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 and was valid for ten years after the date of adoption, the shareholders of the Company approved the termination of the 2003 share option scheme and the adoption of a new share option scheme (“2005 Scheme”) at the Company’s annual general meeting held on May 13, 2005. The 2005 Scheme became effective on May 23, 2005 following its approval by the shareholders of PCCW. No further share options will be granted under the 2003 share option scheme following its termination, but the provisions of such scheme will remain in full force and effect with respect to the options granted prior to its termination.

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

GENERAL INFORMATION

SHARE OPTION SCHEMES – CONTINUED

Details of the options which have been granted and outstanding under the 2003 share option scheme during the six months ended June 30, 2013 are as follows:

1. Outstanding options as at January 1, 2013 and as at June 30, 2013 (all dates are shown month/day/year)

Category of participant	Date of grant	Vesting period	Exercise period	Exercise price HK\$	Number of options	
					Outstanding as at 01.01.2013	Outstanding as at 06.30.2013
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

As at June 30, 2013, the total number of shares of the Company that might be issued upon exercise of all the share options granted and yet to be exercised under the 2003 share option scheme was 5,000,000 shares, which represented approximately 1.26% of the issued share capital of the Company as at that date.

2. Options granted during the six months ended June 30, 2013

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

3. Options exercised during the six months ended June 30, 2013

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

4. Options cancelled or lapsed during the six months ended June 30, 2013

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 AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS

1. Interests in the Company

As at June 30, 2013, 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 of shares and the issue of bonus convertible notes (which took place on June 22, 2012) and the share consolidation which became effective on June 25, 2012 ("Share Consolidation"), (a) an interest in 296,266,666 shares of 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, 0.6 Fractional Consolidated Share resulted from the consolidation of shares of the Company 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 shares and underlying shares of the Company

As at June 30, 2013, 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, 2013, 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, 2013, 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 Audit Committee of the Company has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended June 30, 2013 and has held one meeting during the period under review.

CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months period ended June 30, 2013.

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 relevant employees, namely the PCPD Code of Conduct for Securities Transactions by Directors, Senior Management and Nominated Persons ("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, 2013.

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

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

INVESTOR RELATIONS

Keith Wat

Pacific Century Premium Developments Limited

8th Floor, Cyberport 2

100 Cyberport Road

Hong Kong

Telephone: +852 2514 3920

Fax: +852 2927 1888

Email: ir@pcpd.com

WEBSITE

www.pcpd.com

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8th Floor, Cyberport 2

100 Cyberport Road

Hong Kong

Telephone: +852 2514 3990

Fax: +852 2514 2905

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Butterfield Fulcrum Group (Bermuda) Limited

26 Burnaby Street

Hamilton HM 11

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Telephone: +852 2862 8555

Fax: +852 2865 0990

Email: hkinfo@computershare.com.hk

BONUS CONVERTIBLE NOTE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Telephone: +852 2862 8555

Fax: +852 2865 0990

Email: hkinfo@computershare.com.hk

PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED

(Incorporated in Bermuda with limited liability)

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

8TH FLOOR, CYBERPORT 2, 100 CYBERPORT ROAD, HONG KONG

TELEPHONE: 2514 3990 FACSIMILE: 2514 2905

www.pcpd.com