



Pacific Century  
Premium Developments  
盈科大衍地產發展

STOCK CODE: 00432

INTERIM REPORT 2014





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# STATEMENT FROM THE CHAIRMAN

THE CURRENT MARKET ENVIRONMENT  
PRACTICALLY CREATES MANY  
POTENTIAL BUSINESS OPPORTUNITIES  
IN BOTH DEVELOPED ECONOMIES  
AND EMERGING MARKETS.

## STATEMENT FROM THE CHAIRMAN

The global economy is well on its way to recovery but uncertainties abound in relation to critical issues such as the timing of the interest rate hike in the US and the sustainability of China's rapid economic growth. The current market environment practically creates many potential business opportunities in both developed economies and emerging markets.

On April 8 this year, PCPD entered into a conditional agreement to sell the Group's entire interests in Pacific Century Place, Beijing for an initial consideration of US\$928 million (approximately HK\$7,193 million). The transaction was subsequently approved by shareholders in a Special General Meeting on May 9, 2014. The realization of this asset effectively enhances the Group's financial flexibility as the Group now has more resources to engage in other lucrative business opportunities. This should benefit its sustained long-term growth and profitability.

The Group's major project in Jakarta, Indonesia, is proceeding well following the ground-breaking ceremony in October 2013. The Group is confident that the 40-storey world-class Grade A office building will be completed and become fully operational in 2017.

Going forward, the Group will continue to seek suitable investment opportunities around the world in a prudent manner. As the key driver of economic growth across the Asia region, China remains a top priority in the Group's long-term business investment strategy.



**Richard Li**

*Chairman*

August 5, 2014



# STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

THE GROUP'S MAJOR PROJECT  
IN JAKARTA, INDONESIA CONTINUES  
TO MAKE ENCOURAGING PROGRESS.

# STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

The Group recorded a consolidated turnover of approximately HK\$224 million for the six months ended June 30, 2014 as compared to approximately HK\$499 million recorded for the first six months of 2013. The consolidated operating profit for the six months under review amounted to approximately HK\$558 million when compared to a profit of approximately HK\$216 million for the first half of 2013. The Group's consolidated net profit for the first six months of 2014 totalled HK\$135 million compared to a profit of approximately HK\$31 million for the corresponding period in 2013. Basic earnings per share for the six months ended June 30, 2014 was approximately 8.52 HK cents, as compared to approximately 1.94 HK cents for the first half of 2013.

The Board of Directors has not declared an interim dividend for the first half of 2014.

The first six months of the year saw a major milestone in PCPD's corporate development since its establishment. On April 8, 2014, the Group announced that it had entered into an agreement to sell its entire interests in Pacific Century Place, Beijing to Vinter Star Limited, an independent third party owned by real estate private equity funds managed by Gaw Capital Partners. The transaction was approved by PCCW shareholders and PCPD shareholders on May 8, 2014 and May 9, 2014 respectively.

Having considered the cash position and the funding requirements of the Group and the Group's future cash requirements for new investment and development opportunities and other possible sources of financing, the Board is of the view that redemption of the 2014 Convertible Note in full in cash without issuing the 2019 Convertible Note is in the best interest of the Company. Upon its redemption in full on May 9, 2014, the 2014 Convertible Note has been cancelled.

The Group's major project in Jakarta, Indonesia continues to make encouraging progress. In March 2014, the development had achieved the coveted LEED Platinum Grade Pre-certification awarded by US Green Building Council (USGBC), the first of its type in Indonesia. The certification is in recognition of the developer's intention to design and build the highest possible standard of green building in Indonesia. When completed, the new building will be the country's pioneering office development to drive a holistic sustainability approach for green building development.

Located in Jakarta's Sudirman Central Business District, the new development will be a 40-storey Grade A office building with a gross floor area of 151,000 square metres. Upon completion, the building will feature a club floor, VIP dining rooms and car parks. A renowned international banking group has indicated its intention to be an anchor tenant by renting multiple office floors in the building.

During the period under review, planning work for existing projects in Hokkaido, Japan, and Phang-nga, Thailand, all continued in line with their respective schedules.



**Robert Lee**

*Deputy Chairman and Chief Executive Officer*  
August 5, 2014

# 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, 2014 is set out below:

## BUSINESS REVIEW

### *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 that the Group would lease out 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 53 per cent for the six months ended June 30, 2014 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\$121 million for the six months ended June 30, 2014, as compared to approximately HK\$119 million for the corresponding period in 2013.

On April 8, 2014, PCPD conditionally agreed to sell the Group's entire interest in PCP Beijing for an initial consideration of US\$928 million (approximately HK\$7,193 million). The transaction was subsequently approved by shareholders in a special general meeting held on May 9, 2014 and for details please refer to the Company's announcement made on April 8, 2014.

### *Property investment in Indonesia*

The Group's Indonesia investment is located at Sudirman CBD within the Golden Triangle of Jakarta, Indonesia. The site is targeted to be developed into a Grade A landmark office building and the foundation work is in progress. A 40-storey world class Grade A office building is scheduled to be completed and become operational in 2017.

### *Overseas property developments*

The detailed designs of Hanazono all-season resort project in Hokkaido, Japan, are being worked on as per its schedule. As for the project in Phang-nga, Southern Thailand, the master plan for the project has reached an advanced stage.

### *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, 2014 amounted to approximately HK\$54 million as compared to approximately HK\$53 million for the corresponding period in 2013.

### *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\$49 million for the six months ended June 30, 2014, as compared to approximately HK\$44 million for the corresponding period in 2013.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Review of results

#### *Continuing Operations*

The consolidated turnover of the continuing operations was approximately HK\$103 million for the six months ended June 30, 2014, representing a decrease of approximately 72 per cent from approximately HK\$380 million for the corresponding period in 2013. Such decrease was due to decrease of the revenue recognised from property sale in the first half of 2014.

The continuing operations' consolidated gross profit for the six months ended June 30, 2014 was approximately HK\$69 million, representing a decrease of approximately 44 per cent from approximately HK\$125 million for the corresponding period in 2013. The decrease in consolidated gross profit was a result of the decrease in turnover.

The general and administrative expenses were approximately HK\$222 million for the six months ended June 30, 2014, representing an increase of 17 per cent from approximately HK\$192 million for the corresponding period in 2013. Such increase was mainly due to the increase in legal and professional fees incurred during the period.

The continuing operations' consolidated operating loss for the six months ended June 30, 2014 increased to approximately HK\$151 million, as compared to approximately HK\$69 million for the corresponding period in 2013. Such increase was mainly due to the decrease of the revenue recognised from property sale in the first half of 2014.

As a result of the above, the continuing operations recorded a consolidated net loss after taxation of approximately HK\$212 million for the six months ended June 30, 2014, as compared to approximately HK\$184 million for the corresponding period in 2013. Basic loss per share during the period under review was 13.40 Hong Kong cents, as compared to 11.66 Hong Kong cents for the corresponding period in 2013.

#### *Operation to be disposed*

Operation to be disposed represented the operating results of the PCP Beijing. The operating profit of the operation to be disposed for the six months ended June 30, 2014 increased to approximately HK\$709 million, as compared to approximately HK\$285 million for the corresponding period in 2013. The operation to be disposed recorded a net profit after taxation of approximately HK\$347 million for the six months ended June 30, 2014, as compared to approximately HK\$215 million for the corresponding period in 2013. Basic earnings per share for the operation to be disposed during the period under review was 21.92 Hong Kong cents, as compared to 13.60 Hong Kong cents for the corresponding period in 2013.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## *Current assets and liabilities*

As at June 30, 2014, the Group held current assets of approximately HK\$9,746 million (December 31, 2013: HK\$2,564 million), mainly comprising cash and cash equivalents, sales proceeds held in stakeholders' accounts, restricted cash, prepayments, deposits and other current assets and the assets of disposal group classified as held for sale. The increase in current assets is mainly due to the reclassification of the assets of disposal group under "assets of disposal group classified as held for sale", mainly comprising investment properties amounted to approximately HK\$7,146 million. Cash and cash equivalents amounted to approximately HK\$325 million as at June 30, 2014 (December 31, 2013: HK\$866 million) as cash and cash equivalents of approximately HK\$495 million is included in "assets of disposal group classified as held for sale". The amount of sales proceeds held in stakeholders' accounts decreased by approximately 1 per cent from approximately HK\$541 million as at December 31, 2013 to approximately HK\$536 million as at June 30, 2014. The level of restricted cash amounted to approximately HK\$1,032 million as at June 30, 2014 which was the same as that as at December 31, 2013.

As at June 30, 2014, the Group's total current liabilities amounted to approximately HK\$7,151 million, as compared to approximately HK\$3,906 million as at December 31, 2013. Such increase was due to the receipt of 45 per cent of sales proceeds from the disposal of PCP Beijing and the reclassification of the liabilities of disposal group under "liabilities of disposal group classified as held for sale".

## *Capital structure, liquidity and financial resources*

As at June 30, 2014, the Group's borrowings amounted to approximately HK\$1,467 million as compared to the total borrowings of HK\$4,387 million as at December 31, 2013. The decrease was caused by the redemption of the 2014 Convertible Note. The 2014 Convertible Note in the principal amount of HK\$2,420 million was fully redeemed by cash upon its maturity on May 9, 2014. The Group did not issue the 2019 Convertible Note on May 9, 2014 where the subscription agreement made on March 2, 2012 has lapsed and shall be of no further effect.

As at June 30, 2014, the Group's borrowings represented bank loans in the aggregate of HK\$1,500 million.

As at June 30, 2014, the net debt-to-equity ratio was 13 per cent (as at December 31, 2013: 11 per cent). Net debt is calculated by deducting the aggregate of cash and cash equivalents and short-term deposits from the principal amount of borrowings.

A considerable portion of the Group's assets and liabilities and business transactions were denominated in Hong Kong dollars. Revenue denominated in Renminbi and Japanese Yen accounted for approximately 57 per cent and 30 per cent of the Group's total turnover respectively. The assets of the Group in Mainland China, Indonesia, Thailand and Japan represented approximately 60 per cent, 16 per cent, 5 per cent and 5 per cent of the Group's total assets respectively.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

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 remainders were in Indonesian Rupiah, 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 exposure with respect to these operations was mainly in relation to fluctuations in the exchange rates of Renminbi, Indonesian Rupiah, Thai Baht and Japanese Yen.

Cash used in operating activities in the six months ended June 30, 2014 was approximately HK\$166 million, as compared to cash generated from operating activities in the amount of approximately HK\$83 million for the corresponding period in 2013.

## *Income tax*

The Group's income tax of continuing operations and operation to be disposed for the six months ended June 30, 2014 were approximately HK\$12 million and HK\$368 million respectively, as compared to approximately HK\$12 million and HK\$75 million for the corresponding period in 2013. The increase of income tax was mainly a result of increase in deferred income tax recognised on the revaluation surplus of investment properties of operation to be disposed.

## *Security on assets*

As at June 30, 2014, certain assets of the Group and equity interests in companies within the Group with an aggregate carrying value of approximately HK\$9,086 million (December 31, 2013: HK\$6,672 million) were mortgaged and pledged to banks as security for the 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 RMB3 million.

A guarantee has been issued by a bank in favour of an independent third party in relation to the construction work carrying out by an indirect wholly-owned subsidiary of the Company covering certain relevant liabilities that may arise which in total shall not exceed RMB4 million. Such bank guarantee has been secured by a fixed-term deposit made by the subsidiary in the principal amount of RMB4 million.

## EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2014, the Group employed a total number of 358 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 employee 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.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

The share option scheme that the Company adopted on March 17, 2003 ("2003 Share Option Scheme") was terminated; it was replaced by a new share option scheme ("New Share Option Scheme") which was 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 commencing on May 23, 2005 while the outstanding options granted under the 2003 Share Option Scheme (before the adoption of the New Share Option Scheme) would continue to be valid with the terms of the 2003 Share Option Scheme being applicable to them until their expiry.

## DIVIDENDS AND DISTRIBUTION

The Board did not declare an interim dividend to shareholders nor an interim distribution to bonus convertible noteholders for the six months ended June 30, 2014 (2013: Nil).

The Board did not recommend the payment of a final dividend for the year ended December 31, 2013.

## OUTLOOK

The global economy was fairly stable over the past six months of 2014 as major economies including the US, Eurozone and Japan showed encouraging signs of recovery on various fronts. Continued global wealth creation – particularly in emerging economies – was a key driver for prime property markets. Early this year major cities recorded a modest growth in high-end housing prices, which is expected to continue through the year.

Following its sale of PCP Beijing for an initial consideration of US\$928 million (approximately HK\$7,193 million) in April 2014, the Group has enhanced its financial flexibility which will enable the Group to capture new opportunities across the world. The Group's full redemption of the 2014 Convertible Note in cash has saved interest expenses as a result of the 2019 Convertible Note not being issued.

Meanwhile, the Group will continue the planning and development of its existing projects in Asia. The Jakarta project is progressing smoothly in its design and planning stage. In March 2014, the development was granted the coveted LEED Platinum Grade Pre-Certification by the US Green Building Council (USGBC), the first time ever for any project of its kind in Indonesia. PCPD is confident in the success of this development as a global bank has already entered into a preliminary agreement to become the anchor tenant of the building.

The Group looks to maintain a prudent fiscal policy until cash revenue is generated. Nevertheless, PCPD's management will continue to seek new opportunities across the world, especially in economies that are experiencing rapid or sustainable growth.

# BOARD OF DIRECTORS

## EXECUTIVE DIRECTORS

### LI Tzar Kai, Richard

Chairman

Mr Li, aged 47, 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) 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 representative of Hong Kong, China to the APEC Business Advisory Council, a member of the Center for Strategic and International Studies’ International Councillors’ Group in Washington, D.C., and a member of the Global Information Infrastructure Commission. 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 63, 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 53, 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 the president of its 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 60, 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 real estate industry and has been active in the real estate business for more than 36 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 49, 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, leasing 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 26 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. 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 and is an alumna of the Harvard Graduate School of Design. 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. Ms Gan is currently a member of the Court of HKU. She sits on the Management Board of HKU School of Professional and Continuing Education. She is an Honorary Director of HKU Foundation for Educational Development and Research and a director of HKS Education Fund Limited.



# BOARD OF DIRECTORS

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### CHEUNG Kin Piu, Valiant

Mr Cheung, aged 68, 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 an independent non-executive director of The Bank of East Asia (China) Limited, a non-listed company and a wholly-owned subsidiary of BEA. He is also the deputy chairman of SAHK (a non-government organisation).

### Prof WONG Yue Chim, Richard, SBS, JP

Prof Wong, aged 62, 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 66, 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.

Dr Zeman is the chairman of Lan Kwai Fong Group, a major property owner and developer in Hong Kong's Lan Kwai Fong, one of Hong Kong's popular tourist attractions and entertainment districts. Dr Zeman is also an independent non-executive director of Sino Land, Tsim Sha Tsui Properties Limited, Global Brands Group Holding Limited and a board member of The "Star" Ferry Company, Limited. Besides all the board appointments in Hong Kong, Dr Zeman is an independent non-executive director and the vice chairman of Wynn Macau, Limited, a prominent gaming company in Macau. He was formerly 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 and a non-executive director of Wynn Resorts, Limited from October 2002 to December 2012.

Having lived in Hong Kong for over 40 years, Dr Zeman has been very involved in Government services as well as community activities. Besides, he was the chairman of Hong Kong Ocean Park from July 2003 to June 2014. Dr Zeman also serves as a member of the Board of West Kowloon Cultural District Authority, and is the Chairman of its Performing Arts Committee. He is also the appointed member of the Economic Development Commission of Hong Kong, a member of the General Committee of the Hong Kong General Chamber of Commerce, a member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong and a member of the Asian Advisory Board of the Richard Ivey School of Business, The University of Western Ontario.

Dr Zeman is a holder of Honorary Doctorate of Laws Degree from The University of Western Ontario, Canada. He is also a holder of Honorary Doctorate of Business Administration from City University of Hong Kong as well as The Hong Kong University of Science and Technology.



# FINANCIAL INFORMATION

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# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2014

HK\$ million	Note	2014 (Unaudited)	2013 (Unaudited) (Restated)
<b>Continuing operations</b>			
<b>Turnover</b>	2	<b>103</b>	380
Cost of sales		(34)	(255)
Gross profit		69	125
General and administrative expenses		(222)	(192)
Other income		1	2
Other gains/(losses), net		1	(4)
<b>Operating loss</b>		<b>(151)</b>	(69)
Interest income		3	6
Finance costs		(52)	(109)
<b>Loss before taxation</b>	3	<b>(200)</b>	(172)
Income tax	4	(12)	(12)
<b>Loss attributable to equity holders of the Company from continuing operations</b>		<b>(212)</b>	(184)
<b>Operation to be disposed</b>			
Profit attributable to equity holders of the Company from operation to be disposed	10(d)	347	215
<b>Profit attributable to equity holders of the Company</b>		<b>135</b>	31

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2014

HK\$ million	Note	2014 (Unaudited)	2013 (Unaudited) (Restated)
<b>Other comprehensive loss:</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation differences:			
Exchange differences on translating foreign operations, net of tax		(237)	(8)
<b>Total comprehensive (loss)/income</b>		<b>(102)</b>	23
<b>Total comprehensive (loss)/income arises from:</b>			
Continuing operations		(173)	(281)
Operation to be disposed		71	304
		<b>(102)</b>	23
<b>(Loss)/earnings per share from continuing operations and operation to be disposed (expressed in Hong Kong cents per share)</b>			
Basic (loss)/earnings per share	6		
Continuing operations		<b>(13.40) cents</b>	(11.66) cents
Operation to be disposed		<b>21.92 cents</b>	13.60 cents
		<b>8.52 cents</b>	1.94 cents
Diluted (loss)/earnings per share	6		
Continuing operations		<b>(13.40) cents</b>	(11.66) cents
Operation to be disposed		<b>21.92 cents</b>	13.60 cents
		<b>8.52 cents</b>	1.94 cents

The notes on pages 24 to 41 form part of these unaudited condensed consolidated financial information.



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2014

HK\$ million	2014 (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, 2014	2,836	(565)	1,002	1,361	10	—	855	5,499
Total comprehensive (loss)/income for the period	—	—	(237)	—	—	—	135	(102)
Redemption of 2014 Convertible Note (note 12(a))	—	—	—	(769)	—	—	769	—
Balance at June 30, 2014	2,836	(565)	765	592	10	—	1,759	5,397

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

The notes on pages 24 to 41 form part of these unaudited condensed consolidated financial information.

# CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2014

HK\$ million	Note	As at June 30, 2014 (Unaudited)	As at December 31, 2013 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	7	1,977	8,519
Property, plant and equipment		135	175
Properties under development		416	401
Properties held for development		654	645
Intangible asset		—	27
Goodwill		3	3
Other financial assets		2	1
Other receivables		12	2
		<b>3,199</b>	9,773
<b>Current assets</b>			
Sales proceeds held in stakeholders' accounts		536	541
Restricted cash		1,032	1,032
Trade receivables, net	8	6	14
Prepayments, deposits and other current assets		104	84
Amounts due from fellow subsidiaries	17(c)	2	4
Amounts due from related companies	17(c)	3	11
Other financial assets		3	2
Short-term deposits		—	10
Cash and cash equivalents		325	866
		<b>2,011</b>	2,564
Assets of disposal group classified as held for sale	10(a)	7,735	—
		<b>9,746</b>	2,564

## CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2014

HK\$ million	Note	As at June 30, 2014 (Unaudited)	As at December 31, 2013 (Audited)
<b>Current liabilities</b>			
Current portion of long-term borrowings	12	1,467	2,844
Trade payables	9	3	16
Accruals, other payables and deferred income	10(e)	3,611	512
Amounts due to fellow subsidiaries	17(c)	5	5
Amount payable to the HKSAR Government under the Cyberport Project Agreement	11	522	521
Current income tax liabilities		7	8
		<b>5,615</b>	3,906
Liabilities of disposal group classified as held for sale	10(b)	1,536	—
		<b>7,151</b>	3,906
<b>Net current assets/(liabilities)</b>		<b>2,595</b>	(1,342)
<b>Total assets less current liabilities</b>		<b>5,794</b>	8,431
<b>Non-current liabilities</b>			
Long-term borrowings	12	—	1,467
Other payables		373	450
Deferred income tax liabilities		24	1,015
		<b>397</b>	2,932
<b>Net assets</b>		<b>5,397</b>	5,499
<b>REPRESENTING:</b>			
Issued equity	13	2,836	2,836
Reserves		2,561	2,663
		<b>5,397</b>	5,499

The notes on pages 24 to 41 form part of these unaudited condensed consolidated financial information.



# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2014

HK\$ million	2014 (Unaudited)	2013 (Unaudited) (Restated)
<b>OPERATING ACTIVITIES</b>		
Continuing operations	(199)	21
Operation to be disposed	33	62
<b>NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES</b>	<b>(166)</b>	83
<b>INVESTING ACTIVITIES</b>		
Continuing operations		
– Purchases of property, plant and equipment	(4)	—
– Proceeds from disposal of property, plant and equipment	—	3
– Proceeds from proposed disposal of operation to be disposed	3,238	—
– Payment for deposit for purchase of land	—	(357)
– Payment for investment properties	(137)	—
– Decrease/(increase) in short-term deposits with maturity more than three months	5	(5)
Operation to be disposed	(5)	(12)
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>3,097</b>	(371)
<b>FINANCING ACTIVITIES</b>		
Continuing operations		
– Proceeds from bank borrowings	—	1,500
– Borrowing costs paid	(62)	—
– Redemption of 2014 Convertible Note	(2,904)	—
Operation to be disposed	—	—
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>	<b>(2,966)</b>	1,500

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2014

HK\$ million	<b>2014</b> <b>(Unaudited)</b>	2013 (Unaudited) (Restated)
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(35)</b>	1,212
Exchange difference	<b>(11)</b>	5
<b>CASH AND CASH EQUIVALENTS</b>		
Balance at January 1,	<b>866</b>	829
Balance at June 30,	<b>820</b>	2,046
Cash and cash equivalents included in assets of disposal group classified as held for sale	<b>495</b>	—
Cash and cash equivalents of continuing operations at June 30,	<b>325</b>	2,046

The notes on pages 24 to 41 form part of these unaudited condensed consolidated financial information.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

## 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, 2013, 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, 2013.

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, 2013, except for those as disclosed below:

### a. Non-current assets (or disposal group) held for sale and operation to be disposed

Non-current assets (or disposal group) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal group), are stated at the lower of carrying amount and fair value less costs to sell. Investment properties and deferred tax liabilities, even if held for sale, would continue to be measured in accordance with the Group’s policies.

An operation to be disposed is a component of the Group’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.



# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES – CONTINUED

### a. Non-current assets (or disposal group) held for sale and operation to be disposed – Continued

When an operation is classified as an operation to be disposed, a single amount is presented in the statement of comprehensive income, which comprises the post-tax profit or loss of the operation to be disposed and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the operation to be disposed.

### b. The adoption of the following amendments to Hong Kong Financial Reporting Standards and HKASs (“new HKFRS”) which are effective for the annual period beginning on January 1, 2014 but have no significant impact on the Group’s financial statements:

HKAS 32 (Amendment)	Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKFRS 10, 12 and HKAS 27 (Amendments)	Consolidation for Investment Entities

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 2. TURNOVER AND SEGMENT INFORMATION

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

HK\$ million	Property development in Hong Kong		All-season recreation activities in Japan		Property investment in Indonesia		Other businesses (note a)		Elimination		Consolidated from continuing operations		Operation to be disposed (note b)		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
For the six months ended June 30,																
<b>Revenue</b>																
Revenue from external customers	—	283	54	53	—	—	49	44	—	—	103	380	121	119	224	499
Inter-segment revenue	—	—	—	—	—	—	1	1	(1)	(1)	—	—	—	—	—	—
Reportable segment revenue	—	283	54	53	—	—	50	45	(1)	(1)	103	380	121	119	224	499
<b>Results</b>																
Segment results before taxation	(7)	51	7	1	(9)	—	(8)	(6)	—	—	(17)	46	715	290	698	336
Unallocated corporate expenses											(183)	(218)	—	—	(183)	(218)
Consolidated segment results before taxation											(200)	(172)	715	290	515	118
<b>Other information</b>																
Addition to non-current segment assets during the period	—	—	1	—	100	—	6	12	—	—	107	12	10	11	117	23
Unallocated addition											1	1	—	—	1	1
Consolidated addition to non-current segment assets during the period											108	13	10	11	118	24

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 2. TURNOVER AND SEGMENT INFORMATION – CONTINUED

HK\$ million	Property development in Hong Kong		All-season recreation activities in Japan		Property investment in Indonesia		Other businesses (note a)		Consolidated from continuing operations		Operation to be disposed (note b)		Consolidated	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
As at														
Segment assets	1,563	1,569	105	86	2,014	1,888	1,268	1,251	4,950	4,794	7,735	7,207	12,685	12,001
Unallocated corporate assets									260	336	—	—	260	336
Consolidated total assets									5,210	5,130	7,735	7,207	12,945	12,337
Segment liabilities	658	666	8	15	561	658	49	53	1,276	1,392	1,536	1,092	2,812	2,484
Unallocated corporate liabilities									4,736	4,354	—	—	4,736	4,354
Consolidated total liabilities									6,012	5,746	1,536	1,092	7,548	6,838

- a. Revenues from segments below the quantitative thresholds under HKFRS 8 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.
- b. Operation to be disposed mainly represents the property investment in Mainland China (note 10).

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 3. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

Loss before taxation from continuing operations is stated after charging the following:

HK\$ million	Six months ended June 30,	
	2014	2013
Cost of properties sold	—	220
Depreciation	7	10
Staff costs, included in:		
– cost of sales	10	12
– general and administrative expenses	78	70
Contributions to defined contribution retirement schemes	4	3
Share-based compensation expenses	2	1
Auditor's remuneration	2	3
Operating lease rental of land and buildings, included in:		
– cost of sales	3	3
– general and administrative expenses	25	23
Operating lease rental of equipment	1	1

### 4. INCOME TAX FROM CONTINUING OPERATIONS

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2013: 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,	
	2014	2013
Current income tax		
– Hong Kong profits tax	—	10
– Income tax outside Hong Kong	7	2
Deferred income tax		
– Other origination and reversal of temporary differences	5	—
	<b>12</b>	12



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 5. DIVIDEND

HK\$ million	Six months ended June 30,	
	2014	2013
Interim dividend declared	—	—

### 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,	
	2014	2013
<b>(Loss)/earnings</b> (HK\$ million)		
Loss from continuing operations	(212)	(184)
Earnings from operation to be disposed	347	215
Earnings for the purpose of calculating the basic earnings per share and the diluted earnings per share	135	31

	Six months ended June 30,	
	2014	2013
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share and the diluted earnings per share	1,582,775,022	1,582,775,022

Pursuant to the terms of the applicable deed poll, the bonus convertible notes confer upon the holders the same economic interests attached to the bonus shares. The aggregated amount of HK\$592,553,354.40 (2013: HK\$592,553,354.40) for the outstanding bonus convertible notes which could be converted into 1,185,106,708 (2013: 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, 2014 and June 30, 2013.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 6. EARNINGS PER SHARE – CONTINUED

2014 Convertible Note was redeemed in full upon its maturity date (note 12(a)). 479,097,606 of the weighted average potential ordinary shares arising from the assumed conversion from January 1, 2014 to May 9, 2014 have not been included in the calculation of diluted earnings per share for the six months ended June 30, 2014 because they are anti-dilutive. For the calculation of diluted earnings per share for the six months ended June 30, 2013, 672,222,222 of the potential ordinary shares arising from the assumed conversion of 2014 Convertible Note have not been included because they are anti-dilutive.

5,000,000 of the potential ordinary shares arising from the assumed conversion of the employee share options are anti-dilutive at the loss from continuing operations level for the six months ended June 30, 2014 and June 30, 2013 and so, have been treated as anti-dilutive for the purpose of calculating diluted earnings per share.

The diluted earnings per share for the six months ended June 30, 2014 and June 30, 2013 were the same as the basic earnings per share as potential additional ordinary shares together are anti-dilutive.

### 7. INVESTMENT PROPERTIES

HK\$ million	2014	2013
At January 1,	8,519	5,883
Capitalised subsequent expenditures	108	9
Surplus on revaluation of investment properties	654	230
Transferred to assets classified as held for sale (note 10(a))	(7,146)	—
Exchange differences	(158)	92
At June 30,	1,977	6,214

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 7. INVESTMENT PROPERTIES – CONTINUED

The following tables analyse the investment properties which are carried at fair value.

HK\$ million	Fair value measurement as at June 30, 2014		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement			
Investment properties			
– Indonesia	—	—	1,925
– Hong Kong	—	—	52

HK\$ million	Fair value measurement as at December 31, 2013		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement			
Investment properties			
– Mainland China	—	—	6,657
– Indonesia	—	—	1,810
– Hong Kong	—	—	52

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 8. TRADE RECEIVABLES, NET

An aging analysis of trade receivables is set out below:

HK\$ million	<b>As at June 30, 2014</b>	As at December 31, 2013
Current	3	12
One to three months	—	4
More than three months	3	7
	<b>6</b>	23
Less: Provision for impairment	—	(9)
	<b>6</b>	14

Trade receivables have a normal credit period of 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	<b>As at June 30, 2014</b>	As at December 31, 2013
Current	2	12
One to three months	—	3
More than three months	1	1
	<b>3</b>	16



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 10. OPERATION TO BE DISPOSED

On April 8, 2014, the Group entered into a sale and purchase agreement (“SPA”) pursuant to which the Group has agreed to sell the entire issued share capital of Gain Score Limited, an indirectly wholly-owned subsidiary of the Company, and to assign the shareholder loan to an independent third party for an initial aggregated consideration of US\$928 million (equivalent to approximately HK\$7,193 million), subject to adjustments in accordance with the SPA. The principal asset of Gain Score Limited and its subsidiaries (the “Gain Score Group”) is the land use rights and property rights in the investment property known as “Pacific Century Place, Beijing” located in Mainland China.

The assets and liabilities of the Gain Score Group have been presented as held for sale following the approval of the transactions under the SPA by the Company’s shareholders at a special general meeting held on May 9, 2014. The fair value of the investment property located in Mainland China is referenced to the initial consideration under the SPA with adjustments. As a result, it is transferred from level 3 in the fair value hierarchy as at December 31, 2013, to level 2 as at June 30, 2014.

The transaction is expected to be completed before the end of 2014.

#### a. Assets of disposal group classified as held for sale

HK\$ million	As at June 30, 2014	As at December 31, 2013
Investment property	7,146	—
Property, plant and equipment	31	—
Intangible asset	27	—
Trade receivables, net	9	—
Prepayments, deposits and other current assets	21	—
Amounts due from fellow subsidiaries	1	—
Restricted cash	5	—
Cash and cash equivalents	495	—
	<b>7,735</b>	<b>—</b>

#### b. Liabilities of disposal group classified as held for sale

HK\$ million	As at June 30, 2014	As at December 31, 2013
Accruals, other payables and deferred income	91	—
Current income tax liabilities	3	—
Deferred income tax liabilities	1,442	—
	<b>1,536</b>	<b>—</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 10. OPERATION TO BE DISPOSED – CONTINUED

- c. Cumulative income or expense recognised in other comprehensive income relating to Gain Score Group classified as held for sale

HK\$ million	As at June 30, 2014	As at December 31, 2013
Foreign exchange translation adjustments, net of tax	1,046	—

- d. Analysis of the results of operation to be disposed is as follows:

HK\$ million	Six months ended June 30,	
	2014	2013
Turnover	121	119
Cost of sales	(18)	(15)
Gross profit	103	104
General and administrative expenses	(48)	(49)
Surplus on revaluation of investment property	654	230
<b>Operating profit from operation to be disposed</b>	<b>709</b>	285
Interest income	6	5
<b>Profit before tax from operation to be disposed</b>	<b>715</b>	290
Income tax	(368)	(75)
<b>Profit after tax from operation to be disposed</b>	<b>347</b>	215

- e. As at June 30, 2014, the first and second instalments of the initial consideration in the sum of US\$417.6 million (equivalent to approximately HK\$3,238 million) have been received and included in “Accruals, other payables and deferred income” in the condensed consolidated balance sheet.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

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

HK\$ million	2014		
	Government share under the Cyberport Project Agreement	Others	Total
Balance at January 1, 2014	516	5	521
Addition to amount payable	1	—	1
Balance at June 30, 2014	517	5	522

  

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

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 sales proceeds of the residential portion of the project and the estimated development costs of the Cyberport project.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 12. BORROWINGS

HK\$ million	<b>As at June 30, 2014</b>	As at December 31, 2013
Repayable within a period		
– not exceeding one year	<b>1,467</b>	2,844
– over one year, but not exceeding two years	—	1,467
	<b>1,467</b>	4,311
Representing:		
HK\$2,420 million 2014 Convertible Note (note a)	—	2,844
Bank borrowings (note b)	<b>1,467</b>	1,467
	<b>1,467</b>	4,311
Secured	<b>1,467</b>	1,467
Unsecured	—	2,844

- a. The 2014 Convertible Note in the principal amount of HK\$2,420 million together with 20 per cent premium was redeemed by PCPD Wealth Limited (“PCPD Wealth”) (an indirect wholly-owned subsidiary of the Company), the issuer of the 2014 Convertible Note, in full in cash upon its maturity on May 9, 2014 in accordance with the terms and conditions of the 2014 Convertible Note.

PCPD Wealth did not issue the 2019 Convertible Note on May 9, 2014, where the Subscription Agreement dated March 2, 2012 entered into among PCPD Wealth, the Company and PCCW-HKT Partners Limited (an indirect wholly-owned subsidiary of PCCW Limited (“PCCW”)) has lapsed and shall be of no further effect.

Interest expense on the 2014 Convertible Note was calculated using the effective interest method by applying the effective interest rate of 6.87 per cent (2013: 6.87 per cent) to the liability component.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 12. 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 “HKD Facility”). Such facility is secured by the shares and assets of certain indirect wholly-owned subsidiaries. As at June 30, 2014, the balance of HK\$1,467 million (December 31, 2013: HK\$1,467 million) represents the total loan drawdown of HK\$1,500 million and net off by the professional fees and upfront fees of HK\$33 million (December 31, 2013: HK\$33 million).

The 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, 2014, none of the covenants were breached. Such HKD Facility will be fully repaid upon the completion of the disposal of the Gain Score Group.

- c. On October 8, 2012, an indirect wholly-owned subsidiary of the Company entered into a RMB facility agreement which the lender would make available a three-year term loan facility up to an aggregate amount of RMB100 million (the “RMB Facility”). The 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, 2014 (December 31, 2013: Nil). Upon the completion of the disposal of the Gain Score Group, the RMB Facility will be cancelled.
- d. On June 6, 2014, the indirect wholly-owned subsidiary of the Company in (c) above entered into another new RMB facility agreement which the lender would make available term loan facility of up to an aggregate amount of RMB500 million (the “New RMB Facility”). Such facility is secured by the assets of the indirect wholly-owned subsidiary. The registration of the mortgage over the assets with the relevant Housing and Land Bureau has not been completed as of June 30, 2014. No drawdown was made by the Group as at June 30, 2014.
- e. On January 21, 2014, indirect wholly-owned subsidiaries of the Company entered into USD facilities agreements (the “USD Facility”) which the lender would make available term loan facilities of US\$140 million (the “USD Facility A”) and of US\$60 million (the “USD Facility B”), in an aggregate amount of US\$200 million, for financing the development of a premium grade office building in Indonesia. The USD Facility must be repaid on or before six months after the completion of the building or December 31, 2017, whichever is earlier. The USD Facility are secured by the shares and assets of the indirect wholly-owned subsidiaries and one of the indirectly wholly-owned subsidiaries is subjected to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. The USD Facility A will be available for drawdown upon fulfilment of certain conditions precedent such as the finalization of the main construction contract, and budgeted development costs which as of June 30, 2014, have not been fulfilled. The USD Facility B is available for drawdown as of June 30, 2014 as the conditions precedent have been fulfilled.



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 13. ISSUED EQUITY

	<b>The Group</b>	
	<b>Number of shares</b> (note a)	<b>Issued equity</b> HK\$ million (note a)
Ordinary shares of HK\$0.50 each at December 31, 2013 and June 30, 2014	<b>397,668,313</b>	<b>2,836</b>

a. Due to the use of reverse acquisition basis of accounting (as stated in note 2(d) to the 2004 Financial Statements), the amount of issued equity, which includes share capital and share premium in the consolidated balance sheet, represents the amount of issued equity of the legal subsidiary, Ipswich Holdings Limited, at the date of completion of the reverse acquisition plus equity changes attributable to the Group after the reverse acquisition. The equity structure (i.e. the number and type of shares) reflects the equity structure of the legal parent, Pacific Century Premium Developments Limited, for all accounting periods presented.

b. The following is the movement in the share capital of the Company:

	<b>The Company</b>	
	<b>Number of shares</b>	<b>Nominal value</b> HK\$ million
Authorised:		
Ordinary shares of HK\$0.50 each at December 31, 2013 and June 30, 2014	<b>4,000,000,000</b>	<b>2,000</b>
Issued and fully paid:		
Ordinary shares of HK\$0.50 each at December 31, 2013 and June 30, 2014	<b>397,668,313</b>	<b>199</b>

c. As at June 30, 2014, 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.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 14. CAPITAL COMMITMENTS

HK\$ million	As at June 30, 2014	As at December 31, 2013
Authorised and contracted for	97	156
Authorised but not contracted for	1,780	31
	<b>1,877</b>	187

Commitment as at June 30, 2014 related to the operation to be disposed amounted to approximately HK\$30 million and are not included in the capital commitment indicated above.

### 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:

- (a) 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 June 30, 2014, the estimated carrying value of the refurbishment assets is approximately RMB 3 million.
- (b) A guarantee has been issued by a bank in favour of an independent third party in relation to the construction work carrying out by an indirect wholly-owned subsidiary of the Company covering certain relevant liabilities that may arise which in total shall not exceed RMB 4 million. Such bank guarantee has been secured by a fixed-term deposit made by the subsidiary in the principal amount of RMB 4 million.

### 16. CHARGE ON ASSETS

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

HK\$ million	As at June 30, 2014	As at December 31, 2013
Investment properties	1,925	6,657
Investment property, included in assets of disposal group classified as held for sale	7,146	—
Restricted cash	15	10
Short-term deposits	—	5
	<b>9,086</b>	6,672

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 17. MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by PCCW, a company incorporated in Hong Kong, which owns 71.69 per cent (December 31, 2013: 74.50 per cent) of the Company's shares. The remaining 28.31 per cent of the shares are held by public as at June 30, 2014 (December 31, 2013: 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,	
	2014	2013
Sales of services:		
– Fellow subsidiaries		
Office leases rental	10	8
– Related companies		
Facility management services	14	10
Office leases rental	1	1
Purchases of services:		
– Fellow subsidiaries		
Corporate services	2	3
Office sub-leases	—	2
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,	
	2014	2013
Salaries and other short-term employee benefits	16	15
Bonuses	11	3
Post-employment benefits	1	1
	28	19

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2014

### 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, 2014	As at December 31, 2013
Receivables from related parties:		
– Fellow subsidiaries	2	4
– Related companies	3	11
	<b>5</b>	15
Payables to related parties:		
– Fellow subsidiaries	5	5

#### d. Loan from a fellow subsidiary

The loan from a fellow subsidiary represented 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	2014	2013
Balance at January 1,	2,887	2,839
Interest expenses	8	12
Interest paid	(8)	(12)
Provision for redemption premium	17	24
Redemption of 2014 Convertible Note	(2,904)	—
Balance at June 30,	—	2,863



# GENERAL INFORMATION

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES

As at June 30, 2014, the directors and the chief executives of the Company and their associates had the following interests and short positions in the shares, share stapled units jointly issued by the HKT Trust and HKT Limited ("Share Stapled Units"), underlying shares, underlying Share Stapled Units and debentures of the Company and 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, 2014, none of the directors or chief executives of the Company or their respective associates had any interests or short positions in the shares or underlying shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

### 2. Associated Corporations of the Company

#### A. Interests in PCCW Limited ("PCCW")

The table below sets out the aggregate long positions of the directors and the chief executives of the Company in the shares of PCCW, the ultimate holding company of the Company, as at June 30, 2014:

Name of director/ chief executive	Personal interests	Number of ordinary shares held			Other interests	Total	Approximate percentage of the total number of shares of PCCW in issue
		Family interests	Corporate interests				
Li Tzar Kai, Richard	-	-	280,737,665 (Note I(a))	1,796,588,679 (Note I(b))	2,077,326,344	28.09%	
Lee Chi Hong, Robert	992,600 (Note II(a))	511 (Note II (b))	-	-	993,111	0.01%	

## GENERAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' 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 245,863,867 shares and Eisner Investments Limited (“Eisner”) held 34,873,798 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 159,953,389 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 159,953,389 shares of PCCW held by PCGH;
  - (iii) a deemed interest in 1,599,905,433 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 77.12% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,599,905,433 shares of PCCW held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 0.93% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard; and

## GENERAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' 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*

##### I. (b) These interests represented: – Continued

(iv) a deemed interest in 3,000 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 3,000 shares of PCCW held by PBI LLC in the capacity of investment manager.

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.

##### B. Interests in PCCW-HKT Capital No.4 Limited

FWD Life Insurance Company (Bermuda) Limited (“FWD”) held US\$9,000,000 of 4.25% guaranteed notes due 2016 issued by PCCW-HKT Capital No.4 Limited, an associated corporation of the Company. Li Tzar Kai, Richard indirectly owned an approximate 87.7% interest in FWD.

## GENERAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' 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

##### C. Interests in the HKT Trust and HKT Limited

On June 13, 2014, the HKT Trust and HKT Limited, an associated corporation of the Company, announced a proposed rights issue (“Rights Issue”) which involved the issue of 1,155,011,542 new Share Stapled Units (“Rights Share Stapled Units”) at the subscription price of HK\$6.84 per Rights Share Stapled Unit on the basis of 18 Rights Share Stapled Units for every 100 existing Share Stapled Units then held. The total number of 6,416,730,792 Share Stapled Units in issue as at June 30, 2014 was enlarged by the allotment of 1,155,011,542 Rights Share Stapled Units in fully-paid form on July 24, 2014. After completion of the Rights Issue on July 24, 2014, the total number of Share Stapled Units in issue was 7,571,742,334 (“Enlarged Share Stapled Units”).

The table below sets out the aggregate long positions in the Share Stapled Units and the nil-paid Rights Share Stapled Units (“NPRs”) held by the directors and the chief executives of the Company as at June 30, 2014:

Name of director/ chief executive	Number of Share Stapled Units and NPRs held				Total	Approximate percentage of the Enlarged Share Stapled Units*
	Personal interests	Family interests	Corporate interests	Other interests		
Li Tzar Kai, Richard	–	–	209,511,414 (Note I(a))	147,909,040 (Note I(b))	357,420,454	4.72%
Lee Chi Hong, Robert	50,924 (Note II(a))	25 (Note II(b))	–	–	50,949	0.0007%

\* Calculated based on the Enlarged Share Stapled Units pursuant to the SFO.

## GENERAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' 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

##### C. Interests in the HKT Trust and HKT Limited – Continued

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 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.

*Notes:*

- I. (a) These interests represented:
  - (i) 17,142,046 Share Stapled Units and the provisionally allotted 3,085,568 NPRs held by PCD. PCD subsequently accepted the NPRs in full;
  - (ii) 39,000,000 Share Stapled Units and the provisionally allotted 7,020,000 NPRs held by Eisner. Eisner subsequently accepted the NPRs in full; and
  - (iii) 121,410,000 Share Stapled Units and the provisionally allotted 21,853,800 NPRs held by FWD. FWD subsequently disposed of a total of 3,013,000 Share Stapled Units and all the NPRs in July 2014.



## GENERAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' 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

##### C. Interests in the HKT Trust and HKT Limited – Continued

*Notes: – Continued*

##### I. (b) These interests represented:

- (i) deemed interests in 2,646,156 Share Stapled Units and the provisionally allotted 476,308 NPRs held by Yue Shun. Li Tzar Kai, Richard was deemed, under the SFO, to have interests in the 2,646,156 Share Stapled Units and the provisionally allotted 476,308 NPRs held by Yue Shun. Yue Shun subsequently accepted the NPRs in full;
- (ii) deemed interests in 11,152,220 Share Stapled Units and the provisionally allotted 2,007,399 NPRs held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have interests in the 11,152,220 Share Stapled Units and the provisionally allotted 2,007,399 NPRs held by PCGH. PCGH subsequently accepted the NPRs in full;
- (iii) deemed interests in 111,548,140 Share Stapled Units and the provisionally allotted 20,078,664 NPRs held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have interests in the 111,548,140 Share Stapled Units and the provisionally allotted 20,078,664 NPRs held by PCRD. PCRD subsequently accepted the NPRs in full; and
- (iv) deemed interests in 130 Share Stapled Units and the provisionally allotted 23 NPRs held by PBI LLC in the capacity of investment manager. Li Tzar Kai, Richard was deemed, under the SFO, to have interests in the 130 Share Stapled Units and the provisionally allotted 23 NPRs held by PBI LLC in the capacity of investment manager. The 23 NPRs subsequently lapsed on July 15, 2014.

II. (a) These interests represented 43,156 Share Stapled Units and the provisionally allotted 7,768 NPRs held jointly by Lee Chi Hong, Robert and his spouse. Lee Chi Hong, Robert and his spouse subsequently accepted the NPRs in full.

(b) These interests represented 22 Share Stapled Units and the provisionally allotted 3 NPRs held by the spouse of Lee Chi Hong, Robert. The spouse of Lee Chi Hong, Robert subsequently accepted the NPRs in full.

Save as disclosed in the foregoing, as at June 30, 2014, none of the directors or chief executives of the Company or their respective associates had any interests or short positions in any shares, Share Stapled Units (including the NPRs), underlying shares, underlying Share Stapled Units or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

## 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 then 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 immediately 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). The maximum entitlement of any eligible person (other than a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates) under the 2005 Scheme is the total number of shares issued and to be issued on exercise of all options granted and to be granted in any 12-month period up to and including the date of the latest grant up to a maximum of 1% of the shares of the Company in issue at the relevant time. Any further grant of share options in excess of this limit is subject to shareholders’ approval at a general meeting. 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, 2014 are as follows:

1. Outstanding options as at January 1, 2014 and as at June 30, 2014 (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 01.01.2014	Outstanding as at 06.30.2014
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, 2014, 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, 2014

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

3. Options exercised during the six months ended June 30, 2014

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

4. Options cancelled or lapsed during the six months ended June 30, 2014

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 shares and underlying shares of the Company

As at June 30, 2014, the following person (other than directors or chief executives 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	1,470,155,332 ( <i>Note</i> )

*Note:*

These interests comprised (a) an interest in 285,088,666 shares in the Company held by Asian Motion Limited (“Asian Motion”), a wholly-owned subsidiary of PCCW; and (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.

#### 2. Short Positions in the shares and underlying shares of the Company

As at June 30, 2014, 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, 2014, 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, 2014, 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 interim financial information for the six months ended June 30, 2014 and has held one meeting during the period under review. Such condensed consolidated interim financial information has not been audited but has been reviewed by the Company's independent auditor.

### 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, 2014.

### MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted its own code of conduct regarding securities transactions, namely the PCPD Code of Conduct for Securities Transactions ("PCPD Code"), which applies to all directors and employees of the Company on terms no less exacting than the required standard indicated by the Model Code as set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiry with all directors of the Company and they had confirmed that they had complied with the requirements under the PCPD Code for the six months ended June 30, 2014.



# 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

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