



Pacific Century
Premium Developments
盈科大衍地產發展

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INTERIM REPORT 2015



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STATEMENT FROM THE CHAIRMAN

WITH A SOLID CASH POSITION,
THE GROUP HAS MORE CAPABILITY
IN MAKING INVESTMENT IN
PROPERTIES AND OTHER PROJECTS
AND DIVERSIFYING ITS INVESTMENT
PORTFOLIO.



STATEMENT FROM THE CHAIRMAN

PCPD completed the sale of Pacific Century Place, Beijing (“PCP Beijing”) last year and henceforth the Group’s liquidity has been greatly enhanced. With a solid cash position, the Group has more capability in making investment in properties and other projects and diversifying its investment portfolio.

In the years ahead, PCPD will continue its core business in property development and investment. The Group is looking for new opportunities to leverage its brand and track record.

In the first half of 2015, the prospect of the U.S. interest rate hike and the debt crisis in Greece continued to give rise to uncertainties among global investors. Many countries are pursuing more relaxed monetary policies, resulting in the depreciation of their currencies. New opportunities should arise in these countries and PCPD will look for suitable projects for development.

In Jakarta, Indonesia, the Group is constructing a Premium Grade A office building that would meet some of the highest international standards in environmental protection and sustainable development. We are confident

that PCPD’s brand and track record as a premium-grade property developer will enable the Group to replicate its success in other locations.

The other overseas projects of the Group, one in Hokkaido, Japan, and another in Phang-nga, Thailand, are proceeding as scheduled.



Richard Li
Chairman
August 5, 2015

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

THE GROUP'S PROJECT IN JAKARTA, INDONESIA IS PROCEEDING WELL. PCPD IS CONFIDENT THAT THE BUILDING WILL START ITS OPERATIONS IN 2017.



STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

The Group recorded a consolidated turnover from continuing operations of approximately HK\$99 million for the six months ended June 30, 2015, as compared to approximately HK\$103 million for the first six months of 2014. The consolidated operating loss of the Group's continuing operations for the period under review amounted to approximately HK\$114 million, as compared to operating loss of approximately HK\$151 million for the first half of 2014. The Group's consolidated loss attributable to equity holders of the Company from its continuing operations for the first six months of 2015 totalled HK\$112 million, as compared to net loss of approximately HK\$212 million for the corresponding period last year. Basic loss per share for the six months ended June 30, 2015 was approximately 7.08 HK cents, as compared to the loss per share of approximately 13.40 HK cents from its continuing operations for the same period the year before.

The Board of Directors did not declare an interim dividend for the first half of 2015.

The Group's project in Jakarta, Indonesia is proceeding well. The foundation and the basement wall have been completed and the construction of two basement levels was also finished; other parts of the building will proceed as planned. Our aim is to construct a Premium Grade A office building that meets some of the highest international standards in environmental protection and sustainable development. PCPD is confident that the building will start its operations in 2017.

The Group has learnt that a number of corporations are interested in renting office space here for their businesses, and it has signed a letter of intent with an international banking group.

As the Group's other projects, the management considers that it is time to gear up the Hokkaido resort project in Japan. The Group has signed a letter of intent with a 5-star hotel management group as part of the planning works for the first phase. The preparation of the Thailand project is also underway as scheduled.



Robert Lee

Deputy Chairman and Chief Executive Officer

August 5, 2015

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, 2015 is set out below:

BUSINESS REVIEW

As reported in 2013 Annual Report, the sale of first-hand Villa Bel-Air houses completed in 2013. In the first half of 2015, the nineteenth batch of the net surplus proceeds distribution from the Cyberport project, approximately HK\$300 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\$194 million while the Group retained approximately HK\$106 million.

Property investment in Indonesia

The Group's investment in Indonesia is located at Sudirman CBD which is within the Golden Triangle of Jakarta, Indonesia. The site is being developed into a 40-storey Premium Grade A landmark office building; after the completion of the foundation and the basement wall, the construction works of two basement levels were completed as at June 30, 2015, and other levels are underway. The development is scheduled to be completed and to become operational in 2017.

Overseas property development projects

Detailed designs of the Hanazono all-season resort project in Niseko, Hokkaido, Japan, are being worked on in accordance with the project schedule and the Group signed a letter of intent with a 5-star hotel management group. The preparation of the project in Phang-nga, southern Thailand is continuing as planned.

All-season recreational activities in Japan

The Group's all-season recreational operation is located in Niseko, Hokkaido, Japan, which is one of the premium ski destinations in the world. There are various facilities and recreational activities operated by the Group, including ski lift, ski equipment rental, ski school and snowmobile tours in winter and rafting tours and golfing in summer.

The Group's revenue from its all-season recreational activities amounted to approximately HK\$52 million for the six months ended June 30, 2015, as compared to approximately HK\$54 million for the corresponding period in 2014.

Property management and facilities management in Hong Kong

The Group provides professional property management and facilities management services to its clients in Hong Kong and generated revenue of approximately HK\$24 million for the six months ended June 30, 2015, as compared to approximately HK\$28 million for the corresponding period in 2014.

Other businesses

Other businesses of the Group mainly include property management in Japan, property investment in Hong Kong and asset management in Mainland China. The revenue from these other businesses amounted to approximately HK\$23 million for the six months ended June 30, 2015, as compared to approximately HK\$21 million for the corresponding period in 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Review of results

The consolidated turnover of the continuing operations of the Group was approximately HK\$99 million for the six months ended June 30, 2015, representing a decrease of approximately 4 per cent from approximately HK\$103 million for the corresponding period in 2014.

The consolidated gross profit of the continuing operations for the six months ended June 30, 2015 was approximately HK\$75 million, representing an increase of approximately 9 per cent from approximately HK\$69 million for the corresponding period in 2014. The gross profit margins were similar for the two periods except for an one-off credit adjustment relating to the cost of sales of the previous property sales.

The general and administrative expenses were approximately HK\$183 million for the six months ended June 30, 2015, representing a decrease of 18 per cent from approximately HK\$222 million for the corresponding period in 2014. Such decrease was mainly due to the cost saving from change in organisation and the decrease in legal and professional fees incurred during the period.

The consolidated operating loss from the continuing operations for the six months ended June 30, 2015 decreased to approximately HK\$114 million, as compared to approximately HK\$151 million for the corresponding period in 2014. Such decrease was mainly due to the decrease in the general and administrative expenses in the first half of 2015.

As a result of the above, the continuing operations recorded a consolidated net loss after taxation of approximately HK\$112 million for the six months ended June 30, 2015, as compared to approximately HK\$212 million for the corresponding period in 2014. Basic loss per share during the period under review was 7.08 Hong Kong cents, as compared to basic loss per share of 13.40 Hong Kong cents for the corresponding period in 2014.

Current assets and liabilities

As at June 30, 2015, the Group held current assets of approximately HK\$3,284 million (December 31, 2014: HK\$4,368 million), mainly comprising cash and bank balances, sales proceeds held in stakeholders' accounts, restricted cash and prepayments, deposits and other current assets. The decrease in current assets is mainly due to the tax payment in relation to the disposal of Gain Score Group and the investment in the development project. Cash and bank balances (including cash and cash equivalents and short-term deposits) decreased by approximately 11 per cent from approximately HK\$2,466 million as at December 31, 2014 to approximately HK\$2,193 million as at June 30, 2015. Sales proceeds held in stakeholders' accounts amounted to approximately HK\$523 million as at June 30, 2015 (December 31, 2014: HK\$528 million). The level of restricted cash has decreased to approximately HK\$96 million as at June 30, 2015 from approximately HK\$1,022 million as at December 31, 2014 after the net surplus proceeds distribution of Cyberport project and the release of restricted cash back to the Group.

As at June 30, 2015, the Group's total current liabilities amounted to approximately HK\$956 million, as compared to approximately HK\$1,748 million as at December 31, 2014. Such decrease was due to the settlement of the amount payable to the HKSAR Government under the Cyberport Project Agreement and the income tax liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital structure, liquidity and financial resources

As at June 30, 2015, the Group has no outstanding borrowings (December 31, 2014: Nil).

On January 21, 2014, the Group entered into agreements to obtain loan facilities by which the lenders syndicate would make available term loan facilities which in the aggregate shall not exceed US\$200 million. No drawdown has yet been made by the Group as at June 30, 2015.

As at June 30, 2015, the net debt-to-equity ratio was not applicable (as at December 31, 2014: not applicable). Net debt is calculated by deducting the aggregate of cash and cash equivalents and short-term deposits from the principal amount of borrowings.

Cash and bank deposits were held mainly in US dollars and Hong Kong dollars. The Group has foreign operations, and certain of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. As at June 30, 2015, the assets of the Group in Indonesia, Thailand and Japan represented approximately 38 per cent, 8 per cent and 9 per cent of the Group's total assets respectively. The Group's currency exposure with respect to these operations is subject to fluctuations in the exchange rates of Indonesian Rupiah, Thai Baht and Japanese Yen. On June 25, 2015, the Group has entered an Indonesian Rupiah/US dollars currency option with notional amount of US\$200 million to manage the Indonesian Rupiah currency exposure.

Cash generated from operating activities in the six months ended June 30, 2015 was approximately HK\$115 million, compared to cash used in operating activities from continuing operations in the amount of approximately HK\$199 million for the corresponding period in 2014.

Income tax

The Group's income tax of continuing operations for the six months ended June 30, 2015 were approximately HK\$5 million, as compared to approximately HK\$12 million for the corresponding period in 2014.

Security on assets

As at June 30, 2015, certain assets of the Group and equity interests in companies within the Group with an aggregated carrying value of approximately HK\$2,096 million (December 31, 2014: HK\$2,076 million) and performance guarantee of approximately HK\$162 million (December 31, 2014: HK\$166 million) were mortgaged and pledged to the banks as security for the loan facilities.

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2015, the Group employed a total number of 255 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The share option scheme that the Company adopted in 2005 was terminated and replaced by a new share option scheme ("2015 Scheme") which was approved at the Company's annual general meeting held on May 6, 2015. The 2015 Scheme became effective on May 7, 2015, following its approval by PCCW's shareholders. The 2015 Scheme is valid and effective for a period of 10 years commencing on May 7, 2015. The purpose of the 2015 Scheme is to provide eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

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, 2015 (2014: Nil).

The Board did not recommend the payment of a final dividend for the year ended December 31, 2014.

OUTLOOK

The US Federal Reserve is expected to keep interest rates at a low level with a possible small hike later in 2015, whereas the Asia Pacific remains the world's key driver in economic growth. Exports in Japan are benefiting from the lower Japanese yen exchange rate and the country's capital spending is on the upward trend on the back of improving corporate earnings. Thailand and Indonesia are likely to see an improved GDP growth as new governments focus on implementing stimulus measures and economic reforms.

Corporations will continue to favor the Asia Pacific for their business development. Unemployment rates across the region remain low, with Indonesia being one of the Southeast Asian countries seeing strong growth in jobs. Taking these into account, PCPD is optimistic about the market response to its 40-storey Premium Grade A office building under construction in Jakarta, Indonesia given its prime location and exceptional green elements. The construction is in good progress with two basement levels completed as at June 30, 2015. The office building is scheduled to be completed in 2017.

Moreover, the Group is accelerating the planning works of its property development project in Niseko, Hokkaido, Japan by signing a letter of intent with a 5-star hotel management group. The Group expects the gradual recovery of Japan's economy to have a positive impact on this long-term resort project.

After the disposal of Pacific Century Place, Beijing, the Group is able to maintain current operations and keep potential projects under consideration with its cash level and appropriate leverage.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Chairman

Mr Li, aged 48, is an Executive Director and the Chairman of Pacific Century Premium Developments Limited (“PCPD”), the 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 an Independent Non-Executive Director of The Bank of East Asia, Limited. He is also 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 64, 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 specialized in banking, property development, corporate finance and dispute resolution in Hong Kong and mainland China. Before that, he was a solicitor with the London firm Pritchard Englefield & Tobin (now 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

James CHAN

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.

Mr Chan, aged 61, 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.

Mr Chan holds a Bachelor of Arts in Architectural Studies degree from The University of Hong Kong ("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.

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof WONG Yue Chim, Richard, SBS, JP

Prof Wong, aged 63, 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) Great Eagle Holdings Limited;
- (2) Orient Overseas (International) Limited; and
- (3) Sun Hung Kai Properties Limited.

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, a Hong Kong listed company); 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).

Prof Wong was an Independent Non-Executive Director of CK Life Sciences Int'l., (Holdings) Inc. from June 2002 to May 2015.

Dr Allan ZEMAN, GBM, GBS, JP

Dr Zeman, aged 67, 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, Television Broadcasts 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 a Non-Executive Director of Wynn Resorts, Limited from October 2002 to December 2012.

BOARD OF DIRECTORS

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. In June 2015, Dr. Zeman was appointed as a Board Member of the Airport Authority of Hong Kong. In January 2015, Dr Zeman was appointed by the Chief Executive of the HKSAR Government to be a Representative of Hong Kong China to the APEC Business Advisory Council (ABAC).

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.

Chiang Yun

Ms Chiang, aged 47, 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. She became a director of PCPD in May 2015.

Ms Chiang has over 21 years of private equity investment experience and is now a founding managing partner of Pacific Alliance Equity Partners, the private equity division of Pacific Alliance Group ("PAG"). Prior to joining PAG, she was a vice president in AIG Investment Corporation. She is currently an Independent Non-Executive Director of the following listed companies in Hong Kong:

- (1) Sands China Ltd.; and
- (2) Goodbaby International Holdings Limited.

Ms Chiang obtained a Bachelor of Science degree, cum laude, from Virginia Polytechnic Institute and State University in 1992 and an Executive Master of Business Administration degree from The Kellogg Graduate School of Management of Northwestern University and Hong Kong University of Science and Technology in 1999.

FINANCIAL INFORMATION

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2015

HK\$ million	Note	2015 (Unaudited)	2014 (Unaudited)
Continuing operations			
Turnover	2	99	103
Cost of sales		(24)	(34)
Gross profit		75	69
General and administrative expenses		(183)	(222)
Other income		—	1
Other (losses)/gains, net		(6)	1
Operating loss		(114)	(151)
Interest income		7	3
Finance costs		—	(52)
Loss before taxation	3	(107)	(200)
Income tax	4	(5)	(12)
Loss attributable to equity holders of the Company from continuing operations		(112)	(212)
Discontinued operation			
Profit attributable to equity holders of the Company from discontinued operation	11(a)	—	347
(Loss)/profit attributable to equity holders of the Company		(112)	135

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2015

HK\$ million	Note	2015 (Unaudited)	2014 (Unaudited)
Other comprehensive loss:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation differences:			
Exchange differences on translating foreign operations		(163)	(237)
Total comprehensive loss		(275)	(102)
Total comprehensive (loss)/income arises from:			
Continuing operations		(275)	(173)
Discontinued operation		—	71
		(275)	(102)
(Loss)/earnings per share from continuing operations and discontinued operation (expressed in Hong Kong cents per share)			
Basic (loss)/earnings per share	6		
Continuing operations		(7.08) cents	(13.40) cents
Discontinued operation		—	21.92 cents
		(7.08) cents	8.52 cents
Diluted (loss)/earnings per share	6		
Continuing operations		(7.08) cents	(13.40) cents
Discontinued operation		—	21.92 cents
		(7.08) cents	8.52 cents

The notes on pages 22 to 39 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2015

HK\$ million	2015 (Unaudited)						Total
	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserve	Retained earnings	
Balance at January 1, 2015	2,848	(565)	(438)	592	10	3,115	5,562
Total comprehensive loss for the period	—	—	(163)	—	—	(112)	(275)
Balance at June 30, 2015	2,848	(565)	(601)	592	10	3,003	5,287

HK\$ million	2014 (Unaudited)						Total
	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other 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 13(a))	—	—	—	(769)	—	769	—
Balance at June 30, 2014	2,836	(565)	765	592	10	1,759	5,397

The notes on pages 22 to 39 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2015

HK\$ million	Note	As at June 30, 2015 (Unaudited)	As at December 31, 2014 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	7	1,958	1,926
Property, plant and equipment		148	126
Properties under development		343	352
Properties held for development		555	566
Goodwill		2	3
Other financial assets		2	2
Other non-current receivables		162	154
		3,170	3,129
Current assets			
Sales proceeds held in stakeholders' accounts		523	528
Restricted cash		96	1,022
Trade receivables, net	9	5	8
Prepayments, deposits and other current assets		403	336
Amounts due from fellow subsidiaries	18(c)	1	1
Amounts due from related companies	18(c)	2	3
Derivative financial instrument	8	57	—
Other financial assets		4	4
Short-term deposits		350	—
Cash and cash equivalents		1,843	2,466
		3,284	4,368

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2015

HK\$ million	Note	As at June 30, 2015 (Unaudited)	As at December 31, 2014 (Audited)
Current liabilities			
Trade payables	10	4	17
Accruals, other payables and deferred income		434	556
Amounts due to fellow subsidiaries	18(c)	1	2
Amount payable to the HKSAR Government under the Cyberport Project Agreement	12	322	522
Current income tax liabilities		195	651
		956	1,748
Net current assets		2,328	2,620
Total assets less current liabilities		5,498	5,749
Non-current liabilities			
Other payables		183	161
Deferred income tax liabilities		28	26
		211	187
Net assets		5,287	5,562
REPRESENTING:			
Issued equity	14	2,848	2,848
Reserves		2,439	2,714
		5,287	5,562

The notes on pages 22 to 39 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2015

HK\$ million	2015 (Unaudited)	2014 (Unaudited)
OPERATING ACTIVITIES		
Continuing operations	115	(199)
Discontinued operation	—	33
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	115	(166)
INVESTING ACTIVITIES		
Continuing operations		
– Purchases of property, plant and equipment	(36)	(4)
– Proceeds from proposed disposal of discontinued operation	—	3,238
– Payment for investment properties	(283)	(137)
– Purchase of derivative financial instrument	(62)	—
– Decrease/(increase) in short-term deposits with maturity more than three months	(350)	5
Discontinued operation	—	(5)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(731)	3,097
FINANCING ACTIVITIES		
Continuing operations		
– Borrowing costs paid	(3)	(62)
– Redemption of 2014 Convertible Note	—	(2,904)
NET CASH USED IN FINANCING ACTIVITIES	(3)	(2,966)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2015

HK\$ million	2015 (Unaudited)	2014 (Unaudited)
DECREASE IN CASH AND CASH EQUIVALENTS	(619)	(35)
Exchange difference	(4)	(11)
CASH AND CASH EQUIVALENTS		
Balance at January 1,	2,466	866
Balance at June 30,	1,843	820
Less: Cash and cash equivalents included in assets of disposal group classified as held for sale	—	(495)
Cash and cash equivalents of continuing operations at June 30,	1,843	325
Analysis of cash and cash equivalents		
Cash and bank balances	2,193	325
Less: Short-term deposits	(350)	—
Cash and cash equivalents at June 30,	1,843	325

The notes on pages 22 to 39 form part of these unaudited condensed consolidated financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

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, 2014, 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, 2014.

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, 2014, except for 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, 2015 but have no significant impact on the Group’s financial statements:

HKAS 19 (2011) (Amendment)

Defined Benefits Plans: Employee Contribution

Annual Improvements to 2010-2012 Cycle

Annual Improvements to 2011-2013 Cycle

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

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	Revenue from external customers		Revenue		Reportable segment revenue		Results Segment results before taxation		Other information Addition to non-current segment assets	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
For the six months ended June 30,										
Property development in Hong Kong	—	—	—	—	—	—	10	(7)	—	—
Property development in Japan (note a)	—	—	—	—	—	—	(4)	(6)	1	1
All-season recreational activities in Japan	52	54	—	—	52	54	11	7	34	1
Property investment in Indonesia	—	—	—	—	—	—	(12)	(9)	131	100
Property development in Thailand (note a)	—	—	—	—	—	—	(7)	(8)	4	2
Property and facilities management in Hong Kong (note a)	24	28	—	—	24	28	4	2	—	—
Other businesses (note b)	23	21	—	1	23	22	4	4	—	3
Elimination	—	—	—	(1)	—	(1)	—	—	—	—
Total of reported segments	99	103	—	—	99	103	6	(17)	170	107
Unallocated	—	—	—	—	—	—	(113)	(183)	1	1
Consolidated from continuing operations	99	103	—	—	99	103	(107)	(200)	171	108
Discontinued operation (note c)	—	121	—	—	—	121	—	715	—	10
Consolidated	99	224	—	—	99	224	(107)	515	171	118

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

2. TURNOVER AND SEGMENT INFORMATION – CONTINUED

HK\$ million	Assets		Liabilities	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
As at				
Property development in Hong Kong	627	1,558	435	649
Property development in Japan (note a)	397	411	9	10
All-season recreational activities in Japan	126	90	10	22
Property investment in Indonesia	2,437	2,329	419	491
Property development in Thailand (note a)	564	573	9	8
Property and facilities management in Hong Kong (note a)	22	20	10	11
Other businesses (note b)	91	110	19	34
Total of reported segments	4,264	5,091	911	1,225
Unallocated	2,190	2,406	256	710
Consolidated	6,454	7,497	1,167	1,935

- The segments for property development in Japan, property development in Thailand and property and facilities management in Hong Kong have met the quantitative thresholds under HKFRS 8 for reportable segments during the period ended June 30, 2015, therefore they are separately disclosed and their respective comparative figures have been restated. These segments were included in other businesses for the period ended June 30, 2014.
- Revenue from segments below the quantitative thresholds under HKFRS 8 are attributable to three operating segments of the Group. Those segments include property management in Japan, property investment in Hong Kong and asset management in Mainland China. None of these segments have ever met any of the quantitative thresholds for determining reportable segments.
- Discontinued operation mainly represents the property investment in Mainland China (note 11).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

3. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

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

HK\$ million	Six months ended June 30,	
	2015	2014
Crediting:		
Gross rental income from investment property	1	1
Other rental income	7	7
Less: outgoings	(3)	(3)
Charging:		
Depreciation	7	7
Staff costs, included in:		
– cost of sales	10	10
– general and administrative expenses	62	78
Contributions to defined contribution retirement schemes	4	4
Share-based compensation expenses	2	2
Auditor's remuneration	3	2
Operating lease rental of land and buildings included in general and administrative expenses	18	25
Operating lease rental of equipment	1	1

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

4. INCOME TAX FROM CONTINUING OPERATIONS

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2014: 16.5 per cent) on the estimated assessable profits for the period.

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

HK\$ million	Six months ended June 30,	
	2015	2014
Current income tax		
– Income tax outside Hong Kong	3	7
Deferred income tax		
– Other origination and reversal of temporary differences	2	5
	5	12

5. DIVIDEND

HK\$ million	Six months ended June 30,	
	2015	2014
Interim dividend declared	—	—

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

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,	
	2015	2014
(Loss)/Earnings (HK\$ million)		
Loss from continuing operations	(112)	(212)
Earnings from discontinued operation	—	347
<hr/>		
(Loss)/Earnings for the purpose of calculating the basic (loss)/earnings per share and the diluted (loss)/earnings per share	(112)	135
	Six months ended June 30,	
	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share and the diluted earnings per share	1,587,775,022	1,582,775,022

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 (2014: HK\$592,553,354.40) outstanding bonus convertible notes which could be converted into 1,185,106,708 (2014: 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, 2015 and June 30, 2014.

2014 Convertible Note was redeemed in full upon its maturity date (note 13(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/(loss) per share for the six months ended June 30, 2014 because they are anti-dilutive.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

7. INVESTMENT PROPERTIES

HK\$ million	2015	2014
At January 1,	1,926	8,519
Capitalised subsequent expenditures	131	108
Surplus on revaluation of investment properties	—	654
Transferred to assets classified as held for sale (note 11)	—	(7,146)
Exchange differences	(99)	(158)
At June 30,	1,958	1,977

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

HK\$ million	Fair value measurement as at June 30, 2015		
	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	—	—	1,906
– Hong Kong	—	—	52

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

7. INVESTMENT PROPERTIES – CONTINUED

HK\$ million	Fair value measurement as at December 31, 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	—	—	1,874
– Hong Kong	—	—	52

8. DERIVATIVE FINANCIAL INSTRUMENT

On June 25, 2015, the Group executed an Indonesian Rupiah/US dollars currency call spread option for a notional amount of US\$200 million with a tenor of one year (the “Option”). The Option will expire on June 27, 2016. An option premium of US\$8 million (equivalent to HK\$62 million) was paid up-front. The Option was purchased for the purpose of managing the risk of foreign currency exposure arising from the Group’s net investment in the foreign operation in Indonesia. It is recognised as a derivative financial instrument at fair value as at June 25, 2015 of HK\$62 million and the subsequent mark-to-market value at June 30, 2015 showed the fair value of HK\$57 million. The difference of HK\$5 million is recognised in “other (losses)/gains, net” in the consolidated income statement for the period ended June 30, 2015.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

9. TRADE RECEIVABLES, NET

An aging analysis of trade receivables, based on the normal credit period from the invoice date, is set out below:

HK\$ million	As at June 30, 2015	As at December 31, 2014
Current	5	7
One to three months	—	—
More than three months	—	1
	5	8

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.

10. TRADE PAYABLES

An aging analysis of trade payables, based on invoice date, is set out below:

HK\$ million	As at June 30, 2015	As at December 31, 2014
Current	3	16
One to three months	—	—
More than three months	1	1
	4	17

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

11. DISCONTINUED OPERATION

On April 8, 2014, the Group entered into a sale and purchase agreement (the “SPA”) pursuant to which the Group has agreed to sell the entire issued share capital of Gain Score Limited, an indirect wholly-owned subsidiary of the Company, and to assign the shareholder loan which was made by the Group to Gain Score Limited to an independent third party for an initial aggregated consideration of US\$928 million (equivalent to approximately HK\$7,201 million), subject to adjustments in accordance with the SPA. The principal asset of Gain Score Limited and its subsidiaries (the “Gain Score Group”) are the land use rights and property rights in the investment property known as “Pacific Century Place, Beijing” located in Mainland China.

The transaction was completed in August 2014, and the final consideration received was US\$939 million (equivalent to approximately HK\$7,281 million) after adjustments in accordance with the SPA.

a. The profit attributable to equity holders of the Company from discontinued operation is as follows:

HK\$ million	Six months ended June 30,	
	2015	2014
Turnover	—	121
Cost of sales	—	(18)
Gross profit	—	103
General and administrative expenses	—	(48)
Surplus on revaluation of investment property	—	654
Operating profit	—	709
Interest income	—	6
Profit before tax	—	715
Income tax	—	(368)
Profit after tax	—	347

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

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

HK\$ million	2015		
	Government share under the Cyberport Project Agreement	Others	Total
Balance at January 1, 2015	517	5	522
Reversal of amount payable	(1)	(5)	(6)
Settlement during the period	(194)	—	(194)
Balance at June 30, 2015	322	—	322

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

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, 2015

13. BORROWINGS

- a. The 2014 Convertible Note in the principal amount of HK\$2,420 million together with 20 per cent redemption premium (in an aggregate amount of HK\$2,904 million) 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 to the liability component.

- b. On October 8, 2012, an indirect wholly-owned subsidiary of the Company was granted a three-year term and revolving loan facility with an aggregate limit of HK\$3,000 million (“HKD Facility”). Such facility was 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. The loans under such HKD Facility have been fully repaid upon the completion of the disposal of the Gain Score Group in August 2014.
- c. On October 8, 2012, an indirect wholly-owned subsidiary of the Company entered into a new RMB facility agreement which the lender had agreed to make available a three-year term loan facility up to an aggregate amount of RMB100 million (“RMB Facility”). No drawdown was made by the Group. Upon the completion of the disposal of the Gain Score Group in August 2014, the RMB Facility has been cancelled.
- d. 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 in an aggregate amount of US\$200 million, comprising a term loan facility for US\$140 million (the “USD Facility A”) and a term loan facility for US\$60 million (the “USD Facility B”), for financing the development of a Premium Grade A office building in Jakarta, 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 indirect wholly-owned subsidiaries is subjected to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2015, none of the covenants were breached. The USD Facility is available for drawdown as the conditions precedent have been fulfilled, but up to June 30, 2015 no drawdown has yet been made by the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

14. ISSUED EQUITY

	The Group	
	Number of shares (note a)	Issued equity HK\$ million (note a)
Ordinary shares of HK\$0.50 each at December 31, 2014 and June 30, 2015	402,668,313	2,848

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

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

	The Company	
	Number of shares	Nominal value HK\$ million
Authorised:		
Ordinary shares of HK\$0.50 each at December 31, 2014 and June 30, 2015	4,000,000,000	2,000
Issued and fully paid:		
Ordinary shares of HK\$0.50 each at December 31, 2014 and June 30, 2015	402,668,313	201

c. As at June 30, 2015, the number of the total issued and fully paid consolidated ordinary shares of HK\$0.50 each was 402,668,313.2. 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 shares of which are not tradable on the main board of The Stock Exchange of Hong Kong Limited and such 0.2 shares are not shown in this section.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

15. CAPITAL COMMITMENTS

HK\$ million	As at June 30, 2015	As at December 31, 2014
Authorised and contracted for	1,452	1,431
Authorised but not contracted for	73	334
	1,525	1,765

16. CONTINGENT LIABILITIES

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

- (i) On January 21, 2014, the Company and an indirect wholly-owned subsidiary had executed guarantees in favour of the lenders of the USD Facility, in the principal amount of US\$200 million granted to the indirect wholly-owned subsidiaries (note 13(d)).

17. BANKING FACILITY

Security pledged for certain bank loan facilities includes:

HK\$ million	As at June 30, 2015	As at December 31, 2014
Investment property	1,906	1,874
Property, plant and equipment	1	—
Prepayments, deposits and other current assets	171	182
Cash and cash equivalents	18	20
	2,096	2,076

- (i) Performance guarantee of approximately HK\$162 million in relation to the construction of a Premium Grade A office building in Jakarta, Indonesia was pledged for the banking facilities as at June 30, 2015 (December 31, 2014: HK\$166 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

18. MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by PCCW, a company incorporated in Hong Kong, which owns 70.80 per cent (December 31, 2014: 70.80 per cent) of the Company's shares. The remaining 29.20 per cent of the shares are held by public as at June 30, 2015 (December 31, 2014: 29.20 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,	
	2015	2014
Sales of services:		
– Fellow subsidiaries		
Office leases rental	2	10
– Related companies		
Facility management services	14	14
Office leases rental	—	1
Purchases of services:		
– Fellow subsidiaries		
Corporate services	1	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,	
	2015	2014
Salaries and other short-term employee benefits	9	16
Bonuses	8	11
Post-employment benefits	1	1
	18	28

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

18. MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

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

HK\$ million	As at June 30, 2015	As at December 31, 2014
Receivables from related parties:		
– Fellow subsidiaries	1	1
– Related companies	2	3
	3	4
Payables to related parties:		
– Fellow subsidiaries	1	2

d. Loan from a fellow subsidiary

The 2014 Convertible Note with principal value of HK\$2,420 million was redeemed on May 9, 2014 upon its maturity (note 13(a)).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

19. FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices that are observable either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for asset or liability that are not based on observable market data (level 3).

The following table analyses the Group's financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value treatment is categorised. See note 7 for disclosure of the investment properties that are measured at fair value.

HK\$ million	As at June 30, 2015			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
Derivative financial instrument	—	57	—	57
Other financial assets	6	—	—	6
	6	57	—	63

HK\$ million	As at December 31, 2014			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
Other financial assets	6	—	—	6
	6	—	—	6

During the six months ended June 30, 2015, there were no transfers of financial instruments between different levels. There were no changes in valuation techniques during the period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2015

19. FAIR VALUE ESTIMATION – CONTINUED

(a) Financial instruments in level 1

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as other financial assets.

(b) Financial instruments in level 2

The fair values of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instrument included in level 2 comprises a currency option classified as derivative financial instrument.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Dealer quoted price, taking into account of the spot and forward exchange rates that are quoted in an active market and the observable interest rates yield curves and the implied volatility; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

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, 2015, the directors and the chief executives of the Company and their respective close 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 its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were recorded in the register required to be kept under Section 352 of the SFO or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (“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, 2015, none of the directors or chief executives of the Company or their respective close 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, 2015:

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	–	–	292,062,765 (Note I(a))	1,830,855,436 (Note I(b))	2,122,918,201	28.12%	
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 255,782,141 shares and Eisner Investments Limited (“Eisner”) held 36,280,624 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 166,405,989 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 166,405,989 shares of PCCW held by PCGH;
 - (ii) a deemed interest in 1,664,446,447 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 86.56% 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 1,664,446,447 shares of PCCW held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 1.04% 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

(iii) 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 87.25% 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 HKT Trust and HKT Limited

The table below sets out the aggregate long positions in the share stapled units (“Share Stapled Units”) jointly issued by HKT Trust and HKT Limited, an associated corporation of the Company, held by the directors and the chief executives of the Company as at June 30, 2015:

Name of director/ chief executive	Personal interests	Number of Share Stapled Units held			Total	Approximate percentage of the total number of Share Stapled Units in issue
		Family interests	Corporate interests	Other interests		
Li Tzar Kai, Richard	–	–	66,247,614 (Note I(a))	144,786,553 (Note I(b))	211,034,167	2.79%
Lee Chi Hong, Robert	50,924 (Note II(a))	25 (Note II(b))	–	–	50,949	0.0007%

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 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) Of these Share Stapled Units, PCD held 20,227,614 Share Stapled Units and Eisner held 46,020,000 Share Stapled Units.
- (b) These interests represented:
 - (i) a deemed interest in 13,159,619 Share Stapled Units held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 13,159,619 Share Stapled Units held by PCGH;
 - (ii) a deemed interest in 131,626,804 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 131,626,804 Share Stapled Units held by PCRD; and
 - (iii) a deemed interest in 130 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 130 Share Stapled Units held by PBI LLC in the capacity of investment manager.

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 HKT Trust and HKT Limited – Continued

Notes: – Continued

- 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.

Save as disclosed in the foregoing, as at June 30, 2015, none of the directors or chief executives of the Company or their respective close associates had any interests or short positions in any shares, Share Stapled Units, 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.

SHARE OPTION SCHEMES

The Company adopted a share option scheme on May 23, 2005 (“2005 Scheme”), which was valid for 10 years from the date of adoption. The 2005 Scheme was terminated and replaced by a new share option scheme (“2015 Scheme”) which was approved at the Company’s annual general meeting held on May 6, 2015. The 2015 Scheme became effective on May 7, 2015, following its approval by PCCW’s shareholders. The 2015 Scheme is valid and effective for a period of 10 years commencing on May 7, 2015. The board of directors of the Company may, at its discretion, grant share options to any eligible participant to subscribe for shares of the Company subject to the terms and conditions stipulated in the 2015 Scheme. No share options have been granted under the 2005 Scheme and 2015 Scheme since their adoption.

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 SHAREHOLDER

1. Interests in the shares and underlying shares of the Company

As at June 30, 2015, 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, 2015, the Company had not been notified of any 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, 2015, 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, 2015, 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, 2015 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, 2015.

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 enquiries 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, 2015.

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*)
James Chan

Independent Non-Executive Directors

Prof Wong Yue Chim, Richard, SBS, JP
Dr Allan Zeman, GBM, GBS, JP
Chiang Yun

COMPANY SECRETARY

Tsang Sai Chung

REGISTERED OFFICE

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Bermuda

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PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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