



Pacific Century
Premium Developments
盈科大衍地產發展

STOCK CODE: 00432



INTERIM REPORT 2011

CONTENTS

2	Statement from the Chairman
4	Statement from the Chief Executive Officer
6	Management's Discussion and Analysis
12	Board of Directors
17	Financial Information
38	General Information
48	Investor Relations



STATEMENT FROM THE CHAIRMAN

THE SECOND HALF OF 2011 WOULD BE ANOTHER CHALLENGING PERIOD FOR GLOBAL INVESTORS. PCPD WILL BE MINDFUL OF THE PREVAILING VOLATILITY WHEN PURSUING OPPORTUNITIES AROUND THE WORLD.



STATEMENT FROM THE CHAIRMAN

The global economy was temperamental during the period under review. The performance of both the US job and property markets did not live up to market expectations, whereas the debt crisis in Europe continued to cast a shadow over the economic outlook worldwide.

There were increasing concerns towards the end of the second quarter of 2011 that global economic growth might slow down. The decisions made by Mainland China and other emerging markets to adopt tighter monetary policies aiming at curbing inflation have also made the prospect of the global economy more uncertain.

However, the Hong Kong economy was relatively stable as evidenced by our low unemployment rate and sustained GDP growth. Local property prices continued to rise and in response the government has shown determination to stabilize the property market and it has announced the intention to supply more land for residential developments.

PCPD took advantage of the favourable market conditions and sold seven houses at Villa Bel-Air at good prices in the early months of 2011. Due to the scarcity of such houses in the market, we are confident that the last four houses will likewise be sold at favourable prices.

We are currently focusing our efforts on developing two overseas projects in Hokkaido, Japan, and in Phang-nga, Thailand.

Design work for the project in Hokkaido is proceeding in accordance with the working schedule. In view of the earthquake that occurred in Japan earlier this year, we are monitoring the situation closely and will adjust our strategy accordingly.

We expect that the second half of 2011 would be another challenging period for global investors. PCPD will be mindful of the prevailing volatility when pursuing opportunities around the world.



Richard Li
Chairman

August 12, 2011

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

HONG KONG'S ECONOMY MAINTAINED ITS STRONG MOMENTUM IN THE FIRST HALF OF THIS YEAR, DRIVEN BY A BROAD-BASED IMPROVEMENT IN THE LOCAL LABOUR MARKET AND RETAIL CONSUMPTION.



STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

I am pleased to report that the Group achieved a consolidated turnover of approximately HK\$1,250 million for the six months ended June 30, 2011, compared to approximately HK\$1,070 million for the corresponding period in 2010. Our consolidated operating profit amounted to approximately HK\$232 million, compared to approximately HK\$334 million for the corresponding period in 2010. The Group's consolidated net profit totalled approximately HK\$84 million, compared to approximately HK\$165 million for the corresponding period in 2010. Basic earnings per share for the six months ended June 30, 2011 was approximately 3.51 Hong Kong cents, compared to approximately 6.86 Hong Kong cents for the corresponding period in 2010.

The Board of Directors has not declared an interim dividend for the six months ended June 30, 2011.

Hong Kong's economy maintained its strong momentum in the first half of this year, driven by a broad-based improvement in the local labour market and retail consumption.

However, the city is always susceptible to the volatility in the economies of other countries, and we continued to experience the uncertainty brought about by the external incidents taken place in the past six months. Some of these are prolonged problematic issues – such as the sovereign debt crisis in Europe, whilst some were new issues, such as the tighter monetary policies adopted by Mainland China and some other emerging markets. Most recently, we have experienced greater volatility caused by the downgrade of US credit rating.

Hong Kong residential property prices continued to rise during the first half of this year. In response, the government has introduced a special stamp duty. As a result of the new measure, the transaction volume in the property market has decreased.

The luxury residential sector was strongly supported by the growing demand of overseas buyers – particularly those from Mainland China. In view of the rising property prices, the government has taken some further measures to cool down the property market at the end of the second quarter of the year.

Taking advantage of the market's positive sentiment, the Group sold seven houses at Villa Bel-Air during the period under review. Meanwhile, all units in ONE Pacific Heights have been handed over to purchasers.

As for our overseas projects, we are making good progress with the design for Phase 1 of our Hanazono all-season resort project in Hokkaido, Japan. In view of the earthquake in Japan in the early part of this year, we are monitoring the situation closely and will be adjusting our plan accordingly. The preliminary design work for our project in Phang-nga, Thailand, is also underway.

Looking ahead, PCPD will continue to take a cautious approach towards identifying business opportunities in Hong Kong, Mainland China and globally.



Robert Lee
Chief Executive Officer
August 12, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis of the unaudited consolidated financial results and operations relating to the business of Pacific Century Premium Developments Limited (the "Company") and its subsidiaries (the "Group") for the six months ended June 30, 2011 is as follows:

BUSINESS REVIEW

Property development

The Group's revenue from property development in Hong Kong amounted to approximately HK\$1,027 million during the six months ended June 30, 2011, compared to approximately HK\$855 million for the corresponding period in 2010.

In Hong Kong, the Group sold seven houses at Villa Bel-Air during the first six months of 2011. The sale of the final four houses will continue.

In March 2011, the thirteenth batch of net surplus proceeds from the Cyberport project, totalling HK\$459 million, was allocated between the Government of the Hong Kong Special Administrative Region (the "HKSAR Government") and the Group in accordance with the Cyberport Project Agreement. As a result, the HKSAR Government received approximately HK\$296 million while the Group retained approximately HK\$163 million.

In June 2011, the fourteenth batch of net surplus proceeds from the Cyberport project, totalling HK\$469 million, was allocated between the HKSAR Government and the Group in accordance with the Cyberport Project Agreement. As a result, the HKSAR Government received approximately HK\$303 million while the Group retained approximately HK\$166 million.

As for the Group's overseas projects, detailed design work for Phase 1 of its Hanazono all-season resort project in Hokkaido, Japan, is making good progress. Preliminary design work for the project in Phang-nga, Southern Thailand, is also underway.

Property investment in mainland China

The Group's investment property Pacific Century Place is located at the heart of Beijing, China. The lettable gross floor area held by the Group is approximately 169,900 square metres (the "lettable area") and the property currently accommodates many corporations, retailers and residential tenants. The average occupancy rate of the lettable area was approximately 92 per cent for the six months ended June 30, 2011.

The gross rental income for the six months ended June 30, 2011 amounted to approximately HK\$127 million, compared to approximately HK\$107 million for the corresponding period in 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other businesses

The Group's other businesses included mainly facilities management, property management in Hong Kong and Japan, asset management, as well as the Hanazono all-season resort operation. The revenue from these other businesses for the six months ended June 30, 2011 amounted to approximately HK\$96 million, compared to approximately HK\$108 million for the corresponding period in 2010.

FINANCIAL REVIEW

Review of results

The Group recorded a consolidated turnover of approximately HK\$1,250 million for the six months ended June 30, 2011. This represents an increase of 17 per cent as compared to approximately HK\$1,070 million for the corresponding period in 2010. The reason for the increase in turnover was primarily driven by higher selling prices achieved from the sale of the houses at Villa Bel-Air and higher property rental income derived from the investment property in Beijing, China.

The Group's consolidated gross profit for the six months ended June 30, 2011 was approximately HK\$494 million, representing a decrease of 5 per cent on the gross profit of approximately HK\$518 million for the same period of 2010. The decrease in gross profit was the combined result of lower revenue being recognised during the period for ONE Pacific Heights which contributed a higher gross profit margin, and revised estimation of the Cyberport project development costs recorded in the same period last year.

The general and administrative expenses were approximately HK\$289 million for the six months ended June 30, 2011, representing an increase of 35 per cent as compared to approximately HK\$214 million for the corresponding period in 2010. The increase was due to higher staff costs incurred during the period in anticipation of the overseas development projects, as well as a reversal of impairment of the trade receivables of HK\$33 million which was recorded last year after the completion of a sale of a house at Villa Bel-Air. As a result, the Group's consolidated operating profit for the six months ended June 30, 2011 decreased to approximately HK\$232 million, as compared to approximately HK\$334 million for the corresponding period in 2010.

In view of the above reasons, the Group therefore recorded a lower consolidated net profit of approximately HK\$84 million for the six months ended June 30, 2011, representing a decrease of 49 per cent, as compared to approximately HK\$165 million for the corresponding period in 2010. Basic earnings per share during the period were 3.51 Hong Kong cents, as compared to 6.86 Hong Kong cents for the corresponding period in 2010.

In accordance with the applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the revenue and profits from the sale of property development are recognised on completion of a development, when the inflow of economic benefits associated with the property sales transactions is assessed to be probable and significant risks and rewards of ownership have been transferred.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Current assets and liabilities

As at June 30, 2011, the Group held current assets of approximately HK\$6,448 million (December 31, 2010: HK\$6,218 million). These mainly consisted of properties under development/held for sale, cash and bank balances, sales proceeds held in stakeholders' accounts and restricted cash. The increase in current assets was attributable to an increase in trade receivables. Properties under development/held for sale in current assets increased from approximately HK\$773 million as at December 31, 2010 to approximately HK\$864 million as at June 30, 2011. Cash and bank balances including short-term deposits amounted to approximately HK\$2,319 million as at June 30, 2011 (December 31, 2010: HK\$2,179 million). Sales proceeds held in stakeholders' accounts increased by 9 per cent from approximately HK\$845 million as at December 31, 2010 to approximately HK\$921 million as at June 30, 2011. Restricted cash decreased from approximately HK\$2,249 million as at December 31, 2010 to approximately HK\$1,901 million as at June 30, 2011.

The Group's total current liabilities as at June 30, 2011 amounted to approximately HK\$2,885 million, as compared to approximately HK\$2,814 million as at December 31, 2010.

Capital structure, liquidity and financial resources

As at June 30, 2011, the Group's borrowings amounted to approximately HK\$2,778 million, mainly representing the recognition of amortised redemption premium of HK\$24 million for the year as compared to total borrowings of HK\$2,754 million as at December 31, 2010. As at June 30, 2011, the Group's long-term borrowings comprised the RMB10 million loan from a bank that is due on September 24, 2012 and the tranche B convertible note of HK\$2,420 million from PCCW group that carries a fixed interest rate of 1 per cent per annum and becomes repayable at 120 per cent of the outstanding principal amount at maturity in 2014. As the tranche B convertible note of HK\$2,420 million is from the Company's major shareholder, PCCW Limited ("PCCW"), it has not been included in the total debt for calculating the debt-to-equity ratio of the Group. As at June 30, 2011, the debt-to-equity ratio excluding the tranche B convertible note was 0.2 per cent (As at December 31, 2010: 0.2 per cent).

The Group's business transactions, assets and liabilities were primarily denominated in Hong Kong dollars. Revenue denominated in Renminbi and Japanese Yen accounted for approximately 10 per cent and 6 per cent of the Group's total turnover respectively. Assets in mainland China, Thailand and Japan represented approximately 46 per cent, 5 per cent and 5 per cent of the Group's total assets respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Cash generated from operating activities was approximately HK\$155 million for the six months ended June 30, 2011, while cash generated from its operating activities was approximately HK\$12 million for the corresponding period in 2010.

Income tax

The Group's income tax for the six months ended June 30, 2011 was approximately HK\$78 million, compared to approximately HK\$90 million for 2010.

Charge on assets

As at June 30, 2011, certain investment properties of the Group with an aggregate carrying value of approximately HK\$5,244 million (as at December 31, 2010: HK\$5,125 million) were pledged to secure banking facilities of the Group.

Contingent liabilities

One of the Company's indirect wholly-owned subsidiaries has given a guarantee to one of its lessees such that in case the alteration of its properties could not be carried out in order to allow the expansion of the existing leased areas of the lessee, the indirect wholly-owned subsidiary would purchase the refurbishment at the carrying value from the lessee up to RMB10 million, provided that the lessee serves termination notice due to the aforesaid reason.

Post balance sheet event

Under the Cyberport Project Agreement, a Development Maintenance Account (the "DMA Account") was established for the provision of funds ("DMA Amount") for the upkeep and maintenance of certain facilities commonly available to both tenants and visitors at the commercial portion of the Cyberport project.

There was a dispute between Cyber-Port Limited (an indirect wholly-owned subsidiary of the Company and hereinafter "CPL") and PCCW, and Hong Kong Cyberport Development Holdings Limited, Hong Kong Cyberport Management Company Limited and Hong Kong Cyberport (Ancillary Development) Limited (together, the "Cyberport Companies") concerning the level of funding to the DMA Account under the Cyberport Project Agreement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

On August 1, 2011, following a mediation process, CPL, PCCW and the Cyberport Companies entered into a settlement agreement whereby the parties agreed that the level of funding to the DMA Account should be revised from HK\$500 million to HK\$451 million. The effect of revising the level of funding to the DMA Account is that HK\$49 million will be returned to the operating account of the Cyberport project for distribution and as such, adjustment to the DMA Amount was accounted for in the current reporting period ended June 30, 2011.

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2011, the Group employed a total number of 320 staff in Hong Kong and overseas. The Group's remuneration policies are in line with prevailing industry practices. They have been formulated on the basis of performance and experience, and they are reviewed regularly. Bonuses are paid on a discretionary basis, according to the performance of individual employees and the Group as a

whole. The Group also provides comprehensive employee benefits, including medical insurance, a choice of provident fund or mandatory provident fund and training programmes.

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

DIVIDENDS

The Board did not declare an interim dividend for the six months ended June 30, 2011 (2010: Nil).

The Board did not recommend the payment of a final dividend for the year ended December 31, 2010.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OUTLOOK

The global economy remained volatile during the last six months. The US economy has not recovered as quickly as the market originally expected and the recent downgrading of the US debt rating has cast more doubts on its pace of recovery. In addition, the prolonged European sovereign debt crisis has also eroded investors' confidence which remained fragile.

Whilst the US interest rate remained at a low level, Mainland China and many other emerging markets introduced policies to tighten monetary supply in a bid to keep domestic inflation under control. Fears of stagflation also added to the worries of global investors.

Nevertheless, the Hong Kong economy maintained its strong momentum during the early part of 2011. Retail expenditure grew robustly on the back of improving employment and income prospects. Overall, prices of residential properties rose significantly, leading to the introduction of further measures to curb property speculation by the HKSAR Government. The Hong Kong Monetary Authority also announced stricter home mortgage regulations towards the end of the second quarter.

The sale of the last four houses at Villa Bel-Air will continue, following the Group's successful disposal of seven houses at good prices during the early months of 2011. The Group is confident that final batch of houses will likewise be sold at favourable prices, given that the supply of such premium properties is scarce and such properties are highly sought after in the market.

The development of the Group's overseas projects in Hokkaido, Japan, and Phang-nga, Thailand continues to progress. The earthquake in Eastern Japan in March has not affected the site in Hokkaido nor the project's overall timetable. However, the Group will continue to monitor the situation closely and adjust its strategy accordingly.

Looking ahead, the Group is cautiously optimistic about the outlook for the local economy, even though it believes the global economic environment would remain challenging. As such, the Group will carefully monitor the macroeconomic environment and review its investment strategies accordingly.

BOARD OF DIRECTORS

EXECUTIVE DIRECTOR

LI Tzar Kai, Richard

Chairman

Mr Li, aged 44, is an executive director and the chairman of Pacific Century Premium Developments Limited (“PCPD”), chairman of PCPD’s Executive Committee, a member of PCPD’s Remuneration Committee and Nomination Committee. He became a director of PCPD in May 2004. He is also the chairman and an executive director of PCCW Limited (“PCCW”), chairman of PCCW’s Executive Committee and a member of PCCW’s Nomination Committee of the Board. He is also the chairman and chief executive of the Pacific Century Group and chairman of Singapore-based Pacific Century Regional Developments Limited (“PCRD”).

Mr Li is a non-executive director of The Bank of East Asia, Limited (“BEA”). He is a representative of Hong Kong, China to the Asia Pacific Economic Co-operation (APEC) Business Advisory Council, a member of the Center for Strategic and International Studies’ International Councillors’ Group in Washington, D.C. and a member of the Global Information Infrastructure Commission.

Alexander Anthony ARENA

Deputy Chairman

Mr Arena, aged 60, is an executive director and the deputy chairman of PCPD and a member of PCPD’s Executive Committee. He became a director of PCPD in May 2004. He is also an executive director and the group managing director of PCCW, deputy chairman of PCCW’s Executive Committee, a member of PCCW’s Regulatory Compliance Committee and a non-executive director of PCRD.

Prior to joining the Pacific Century Group in 1998, Mr Arena was a Special Policy Adviser to the Hong Kong Government from 1997 to 1998. From 1993 to 1997, he was Director-General of Telecommunications at the Office of the Telecommunications Authority (“OFTA”) of Hong Kong, as well as a member of the Broadcasting Authority of Hong Kong.

Before taking up his post at OFTA, Mr Arena was appointed by the Hong Kong Government to plan a reform program for the liberalization of Hong Kong’s telecommunications sector. Prior to his appointment to the Hong Kong Government, he served as an inaugural member of

the Australian Telecommunications Authority for four years. Mr Arena has led an extensive career in public administration, specializing in high technology and infrastructure industries. From a practising radio/communications engineer to a public policy maker, his experience spans such diverse areas as commercialization of government-owned business enterprises and deregulation in the aviation, transport, telecommunications and postal industries.

Mr Arena graduated from University of New South Wales, Australia, with a bachelor’s degree in electrical engineering. He completed an MBA at the University of Melbourne, Australia, and is a Fellow of the Hong Kong Institution of Engineers.

LEE Chi Hong, Robert

Mr Lee, aged 60, is an executive director and the chief executive officer of PCPD and a member of PCPD’s Executive Committee. He became a director of PCPD in May 2004. He is also an executive director of PCCW and a member of PCCW’s Executive Committee.

BOARD OF DIRECTORS

Mr Lee was previously an executive director of Sino Land Company Limited, at which his responsibilities included sales, finance, acquisitions, investor relations, marketing and property management. Prior to joining Sino Land Company Limited, Mr Lee was a senior partner at Deacons in Hong Kong, where he specialised in banking, property development, corporate finance and dispute resolution in Hong Kong and mainland China. Before that, Mr Lee was a solicitor with the London firm Pritchard Englefield & Tobin (now Pritchard Englefield). He was enrolled as a solicitor in the United Kingdom in 1979 and admitted as a solicitor in Hong Kong in 1980. He became a Notary Public in Hong Kong in 1991.

Mr Lee had also served as a member of the panel of arbitrators of the China International Economic and Trade Arbitration Commission of the China Council for the Promotion of International Trade in Beijing.

Mr Lee graduated from Cornell University in the United States in 1975 with a bachelor's degree in Political Science.

LAM Yu Yee

Mr Lam, aged 50, is an executive director and the deputy chief executive officer of PCPD. He joined PCPD in September 2004 and became a director of PCPD in September 2007.

Prior to joining PCPD, Mr Lam was the chief financial officer of Asia Pacific Resources International Limited in Singapore in 2003 and was appointed as its president of China Operations in April 2004. Between 1999 and 2003, Mr Lam was an executive director and the group chief financial officer of Sino Land Company Limited. Prior to joining Sino Land Company Limited, 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 57, is an executive director and the project director of PCPD. He became a director of PCPD in August 2005. Mr Chan is responsible for carrying out various new property projects of PCPD and its subsidiaries in Hong Kong and the People's Republic of China ("PRC"). He was responsible for the project execution of the Cyberport project and has overall responsibility for all aspects of the construction works.

Prior to joining PCCW in October 2002, Mr Chan had been practising as an architect and working for a major developer in Hong Kong for 14 years, with comprehensive experience in design, planning and land matters, design development and construction management of major investment properties in that developer's portfolio, which included a wide range of industrial and warehousing, commercial, retail and residential developments in Hong Kong and overseas. He possesses a wide spectrum of experience in the property industry and has been active in the property business for more than 32 years.

BOARD OF DIRECTORS

Mr Chan has become an independent non-executive director of Beijing Properties (Holdings) Limited in June 2011. He holds a Bachelor of Arts in Architectural Studies degree from the HKU, a Bachelor of Architecture degree from University of Dundee in Scotland and a Master Degree of Business Administration from Tsinghua University. He is qualified as the Authorized Person (List I) and Registered Architect in Hong Kong, and is a member of The Hong Kong Institute of Architects, The Royal Institute of British Architects and The Royal Australian Institute of Architects.

GAN Kim See, Wendy

Ms Gan, aged 46, is an executive director and the sales and marketing director of PCPD. She became a director of PCPD in August 2005. Ms Gan is responsible for the overall sales and marketing of PCPD's property assets, in particular the residential portion of the Cyberport project, Bel-Air.

Before joining PCCW in November 2000, Ms Gan was head of sales and marketing at Swire Properties Limited, looking after that company's portfolio of residential, office and retail developments. She has more than 20 years' experience in property development and management and expertise in the sales and marketing of projects in Hong Kong and overseas.

Her marketing campaigns have received top honours at the HKMA/TVB Marketing Excellence Award for three years, a MAXI Award from the International Council of Shopping Centers, several HK 4A's Awards and the Hong Kong Institute of Surveyors' top awards in property marketing.

Ms Gan holds a Bachelor of Arts degree with First Class Honours from the HKU and is currently a member of the Council and Court of HKU. She also sits on the Management Board of the HKU School of Professional and Continuing Education and is an Honorary Advisor of the

HKU Foundation for Educational Development and Research. 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 Hong Kong Real Estate Developers Association. In 2008, Ms Gan has obtained an Executive Master of Business of Administration degree jointly awarded by the Kellogg School of Management of the Northwestern University in USA and the Business School of the Hong Kong University of Science and Technology.

INDEPENDENT NON-EXECUTIVE DIRECTOR

CHEUNG Kin Piu, Valiant

Mr Cheung, aged 65, is an independent non-executive director of PCPD, the chairman of PCPD's Remuneration Committee and a member of PCPD's Audit Committee and Nomination Committee. He became a director of PCPD in October 2004.

BOARD OF DIRECTORS

Mr Cheung had been a partner at KPMG, a leading international accounting firm in Hong Kong, until his retirement in March 2001. He has extensive experience in assurance and corporate finance work, particularly in trading and manufacturing corporations in Hong Kong and the PRC. 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 three other listed companies in Hong Kong include Dah Chong Hong Holdings Limited, BEA and Vitasoy International Holdings Limited. In addition, he is also an independent non-executive director of Bank of East Asia (China) Limited, an unlisted company and a wholly-

owned subsidiary of BEA. He was an independent non-executive director of Dream International Limited from October 2001 to May 2008 and Wing Shan International Limited (currently known as Winteam Pharmaceutical Group Limited) from March 2004 to January 2009.

Prof WONG Yue Chim, Richard, SBS, JP

Prof Wong, aged 59, 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. He became a director of PCPD in July 2004.

Prof Wong is currently Professor of Economics, and was formerly the Deputy Vice-Chancellor and Provost at the HKU. He has been active in advancing economic research on policy issues in Hong Kong and the PRC through his work as founding director of both The Hong Kong Centre for Economic Research and Hong Kong Institute of Economics and Business

Strategy. Prof Wong was awarded the Silver Bauhinia Star in 1999 by the Government of the Hong Kong Special Administrative Region ("HKSAR") for his contributions in education, housing, industry and technology development. In addition, he was appointed a Justice of the Peace in July 2000. He studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy.

Prof Wong is currently an independent non-executive director of four other listed companies in Hong Kong include CK Life Sciences Int'l, (Holdings) Inc., Great Eagle Holdings Limited, Orient Overseas (International) Limited and Sun Hung Kai Properties Limited. He is also an independent non-executive director of The Link Management Limited (the manager of The Link Real Estate Investment Trust), The Hong Kong Mercantile Exchange and 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).

BOARD OF DIRECTORS

Dr Allan ZEMAN, GBM, GBS, JP

Dr Zeman, aged 63, is an independent non-executive director of PCPD, the chairman of PCPD's Nomination Committee and a member of PCPD's Audit Committee. He became a director of PCPD in June 2004.

After spending more than 40 years in Hong Kong, Dr Zeman has established business interests in Hong Kong and overseas that include property development, entertainment and public relations.

Dr Zeman is also the chairman of Ocean Park, a major theme park in Hong Kong and Lan Kwai Fong Holdings Limited, the major property owner and developer in Lan Kwai Fong, one of Hong Kong's popular tourist attractions.

Dr Zeman serves as a board member of the West Kowloon Cultural District Authority ("WKCD"), the Chairman of WKCD's Performing Arts Committee and member of WKCD's Development Committee, the Consultation Panel and the Investment Committee. He is also a member of the Commission on Strategic Development of Central Policy Unit and Food Business Task Force of the Economic Analysis and Business Facilitation Unit of the HKSAR. In addition, Dr Zeman is a member of the Board of Governors of the Canadian Chamber of Commerce, the General Committee member of the Hong Kong General Chamber of Commerce and a member of the Asian Advisory Board of the Richard Ivey School of Business, The University of Western Ontario.

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

FINANCIAL INFORMATION

- 18 Condensed Consolidated Statement of Comprehensive Income
- 19 Condensed Consolidated Statement of Changes in Equity
- 20 Condensed Consolidated Balance Sheet
- 22 Condensed Consolidated Statement of Cash Flows
- 23 Notes to the Unaudited Condensed Consolidated
Financial Information



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2011

HK\$ million	Note(s)	2011 (Unaudited)	2010 (Unaudited)
Turnover	2	1,250	1,070
Cost of sales		(756)	(552)
Gross profit		494	518
General and administrative expenses		(289)	(214)
Other income		11	28
Other gains, net		—	2
Surplus on revaluation of investment properties		16	—
Operating profit		232	334
Interest income		11	7
Finance costs		(81)	(86)
Profit before taxation	2, 3	162	255
Income tax	4	(78)	(90)
Profit attributable to equity holders of the Company		84	165
Other comprehensive income:			
Currency translation differences:			
Exchange differences on translating foreign operations		117	70
Total comprehensive income		201	235
Earnings per share (expressed in Hong Kong cents per share)			
Basic	6	3.51 cents	6.86 cents
Diluted	6	N/A	N/A

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2011

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

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

- a. Capital reserve of the Group represents the difference between the carrying amounts of the net assets of Ipswich Holdings Limited, a then subsidiary of PCCW Limited (“PCCW”), and its subsidiaries (together the “Property Group”) and certain assets held by another subsidiary of PCCW and the stated value of the shares issued by Ipswich Holdings Limited in 2004 in exchange for the entire equity interests in the Property Group.

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

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2011

HK\$ million	Note	As at June 30, 2011 (Unaudited)	As at December 31, 2010 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		5,287	5,152
Property, plant and equipment		223	215
Properties under development		450	428
Properties held for development		618	624
Goodwill		4	4
Other receivables		3	3
		6,585	6,426
Current assets			
Properties under development/held for sale		864	773
Sales proceeds held in stakeholders' accounts		921	845
Restricted cash		1,901	2,249
Trade receivables, net	7	231	10
Prepayments, deposits and other current assets		183	109
Amounts due from fellow subsidiaries	14(c)	27	50
Amounts due from related companies	14(c)	2	3
Short-term deposits		590	—
Cash and cash equivalents		1,729	2,179
		6,448	6,218

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2011

HK\$ million	Note	As at June 30, 2011 (Unaudited)	As at December 31, 2010 (Audited)
Current liabilities			
Current portion of long-term borrowings		24	24
Trade payables	8	20	31
Accruals, other payables and deferred income		912	976
Deposits received on sales of properties		115	65
Amounts due to fellow subsidiaries	14(c)	1	4
Amount payable to the HKSAR Government under the Cyberport Project Agreement	9	1,774	1,606
Current income tax liabilities		39	108
		2,885	2,814
Net current assets		3,563	3,404
Total assets less current liabilities		10,148	9,830
Non-current liabilities			
Long-term borrowings		2,444	2,374
Deferred income tax liabilities		638	591
		3,082	2,965
Net assets		7,066	6,865
REPRESENTING:			
Issued equity	10	4,321	4,321
Reserves		2,745	2,544
		7,066	6,865

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2011

HK\$ million	2011 (Unaudited)	2010 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	155	12
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(28)	(28)
Increase in short-term deposits with maturity more than three months	(590)	—
NET CASH USED IN INVESTING ACTIVITIES	(618)	(28)
FINANCING ACTIVITY		
Dividends paid	—	(3,178)
NET CASH USED IN FINANCING ACTIVITY	—	(3,178)
DECREASE IN CASH AND CASH EQUIVALENTS	(463)	(3,194)
Exchange difference	13	6
CASH AND CASH EQUIVALENTS		
Balance at January 1,	2,179	5,506
Balance at June 30,	1,729	2,318
Analysis of cash and cash equivalents		
Cash and bank balances	4,220	3,928
Less: Short-term deposits	(590)	—
Less: Restricted cash	(1,901)	(1,610)
Cash and cash equivalents at June 30,	1,729	2,318

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2011

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, 2010, 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, 2010.

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, 2010, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards, HKASs and interpretations (“new HKFRS”) which are effective for the annual period beginning on January 1, 2011:

Standards, amendments and interpretations effective from January 1, 2011 adopted by the Group but have no significant impact on the Group’s financial statements

HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 34 (Amendment)	Interim Financial Reporting
HK(IFRIC)-Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2011

2. TURNOVER AND SEGMENT INFORMATION

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

HK\$ million	Property development in Hong Kong		Property investment in mainland China		Other businesses (note a)		Elimination		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
For the six months ended June 30,										
Revenue from external customers	1,027	855	127	107	96	108	—	—	1,250	1,070
Inter-segment revenue	—	—	—	—	5	4	(5)	(4)	—	—
Reportable segment revenue	1,027	855	127	107	101	112	(5)	(4)	1,250	1,070
Interest income	1	—	6	3	—	—	—	—	7	3
Unallocated interest income									4	4
Consolidated interest income									11	7
Finance costs	—	—	—	—	—	—	—	—	—	—
Unallocated finance costs									81	86
Consolidated finance costs									81	86
Depreciation and amortisation	1	1	10	7	9	9	—	—	20	17
Unallocated depreciation and amortisation									5	4
Consolidated depreciation and amortisation									25	21
(Reversal of)/provision for impairment losses	—	(33)	—	—	—	1	—	—	—	(32)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2011

2. TURNOVER AND SEGMENT INFORMATION — CONTINUED

HK\$ million	Property development in Hong Kong		Property investment in mainland China		Other businesses (note a)		Elimination		Consolidated	
	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
As at										
Segment assets	3,954	3,925	5,939	5,739	1,401	1,352	—	—	11,294	11,016
Unallocated corporate assets									1,739	1,628
Consolidated total assets									13,033	12,644
Segment liabilities	2,692	2,565	713	670	48	86	—	—	3,453	3,321
Unallocated corporate liabilities									2,514	2,458
Consolidated total liabilities									5,967	5,779

- (a) Revenues from segments below the quantitative thresholds are attributable to seven operating segments of the Group. Those segments include property development in Thailand and Japan, property management in Hong Kong and Japan, asset management, facilities management and ski operation. None of these segments has ever met any of the quantitative thresholds for determining reportable segments.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2011

3. PROFIT BEFORE TAXATION

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

HK\$ million	Six months ended June 30,	
	2011	2010
Crediting:		
Gross rental income from investment properties	127	108
Less: outgoings	(10)	(11)
Other income from deposits forfeited	10	18
Surplus on revaluation of investment properties	16	—
Charging:		
Cost of properties sold	726	493
Depreciation	25	21
Staff costs, included in:		
– cost of sales	11	29
– general and administrative expenses	93	69
Contributions to defined contribution retirement schemes, included in:		
– cost of sales	—	1
– general and administrative expenses	3	5
Auditors' remuneration	3	2
Operating lease rental of land and buildings	26	23
Operating lease rental of equipment	1	1
Reversal of impairment of trade receivables	—	(33)
Net foreign exchange loss/(gain)	2	(5)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2011

4. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2010: 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,	
	2011	2010
Current income tax		
Hong Kong profits tax	38	65
Overseas income tax	8	8
Deferred income tax		
Change in fair value of investment properties	3	—
Other origination and reversal of temporary differences	29	17
	78	90

5. DIVIDEND

HK\$ million	Six months ended June 30,	
	2011	2010
Interim dividend declared (2010: Nil)	—	—

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2011

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,	
	2011	2010
Earnings (HK\$ million)		
Earnings for the purpose of calculating the basic earnings per share	84	165
Finance costs on convertible notes recognised in the consolidated statement of comprehensive income	73	77
Earnings for the purpose of calculating the diluted earnings per share	157	242

	Six months ended June 30,	
	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share	2,407,459,873	2,407,459,873
Effect of dilutive potential ordinary shares on conversion of convertible notes and the employee share options	672,222,222	672,222,222
Weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share	3,079,682,095	3,079,682,095

The diluted earnings per share for the six months ended June 30, 2011 and June 30, 2010 are the same as the basic earnings per share as all potential additional ordinary shares are anti-dilutive.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2011

7. TRADE RECEIVABLES, NET

An aging analysis of trade receivables is set out below:

HK\$ million	As at June 30, 2011	As at December 31, 2010
Current	229	10
One to three months	1	—
More than three months	2	1
	232	11
Less: Provision for impairment	(1)	(1)
	231	10

Trade receivables in respect of properties sold are payable by the purchasers pursuant to the terms of the sales contracts. Other trade receivables have a normal credit period up to 30 days from the date of the invoice unless there is separate mutual agreement on extension of the credit period.

8. TRADE PAYABLES

An aging analysis of trade payables is set out below:

HK\$ million	As at June 30, 2011	As at December 31, 2010
Current	13	29
One to three months	6	1
More than three months	1	1
	20	31

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2011

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

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

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

- a. Pursuant to the Cyberport Project Agreement, the Government of the Hong Kong Special Administrative Region (the “HKSAR Government”) shall be entitled to receive payments of approximately 65 per cent from the surplus cashflow arising from the sales of the residential portion of the Cyberport project, net of certain allowable costs incurred on the project, as stipulated under certain terms and conditions of the Cyberport Project Agreement. Amount payable to the HKSAR Government is considered as a part of the development costs for the Cyberport project. The amount payable to the HKSAR Government is based on estimated sales proceeds of the residential portion of the project and the estimated development costs of the Cyberport project. The estimated amount to be paid to the HKSAR Government during the forthcoming year is classified as current liabilities.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2011

10. ISSUED EQUITY

	The Group	
	Number of shares	Issued equity HK\$ million
	(note a)	(note a)
Ordinary shares of HK\$0.10 each at December 31, 2010 and June 30, 2011	2,407,459,873	4,321

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

	The Company	
	Number of shares	Nominal value HK\$ million
Authorised:		
Ordinary shares of HK\$0.10 each at December 31, 2010 and June 30, 2011	10,000,000,000	1,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each at December 31, 2010 and June 30, 2011	2,407,459,873	241

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2011

11. CAPITAL COMMITMENTS

HK\$ million	As at June 30, 2011	As at December 31, 2010
Authorised and contracted for	182	76
Authorised but not contracted for	53	1
	235	77

12. CONTINGENT LIABILITIES

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

One of the indirect wholly-owned subsidiaries has given a guarantee to one of its lessees such that in case the alteration of its properties could not be carried out in order to allow the expansion of the existing leased areas of the lessee, the indirect wholly-owned subsidiary would purchase the refurbishment at the carrying value from the lessee up to RMB10 million, provided that the lessee serves termination notice due to the aforesaid reason.

13. CHARGE ON ASSETS

As at June 30, 2011, certain assets of the Group with an aggregate carrying value of HK\$5,244 million (December 31, 2010: HK\$5,125 million) were pledged to secure banking facilities of the Group.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2011

14. MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by PCCW, a company incorporated in Hong Kong, which owns 61.53 per cent (December 31, 2010: 61.53 per cent) of the Company's shares. The remaining 38.47 per cent (December 31, 2010: 38.47 per cent) of the shares are held by public and by a substantial shareholder. PCCW is also regarded as the ultimate holding company of the Group.

In addition to the transactions and balances disclosed elsewhere in these unaudited condensed consolidated financial information, the following transactions were carried out with related parties:

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

HK\$ million	Six months ended June 30,	
	2011	2010
Sales of services:		
– Fellow subsidiaries		
Facility management services	—	22
Office leases rental	5	3
– Related companies		
Facility management services	10	11
Office leases rental	—	1
Other services	1	—
Purchases of services:		
– Fellow subsidiaries		
Corporate services	2	1
Office sub-leases	3	4
Information technology and other logistic services	2	4
– Related companies		
Other services	—	2

The above transactions were carried out after negotiations between the Group and the related parties in the ordinary course of business. In respect of transactions for which the price or volume has not yet been agreed with the relevant related parties, the directors have determined the relevant amounts based on their best estimation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2011

14. MATERIAL RELATED PARTY TRANSACTIONS — CONTINUED

b. Details of key management compensation

HK\$ million	Six months ended June 30,	
	2011	2010
Salaries and other short-term employee benefits	14	11
Bonuses	8	—
Directors' fees	—	—
Post-employment benefits	1	1
	23	12

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

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

HK\$ million	As at	As at
	June 30, 2011	December 31, 2010
Receivables from related parties:		
– Fellow subsidiaries	27	50
– Related companies	2	3
	29	53
Payables to related parties:		
– Fellow subsidiaries	1	4

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2011

14. MATERIAL RELATED PARTY TRANSACTIONS — CONTINUED

d. Loan from a fellow subsidiary

The loan from a fellow subsidiary represents the face value of the convertible notes (tranche B note due 2014) with principal value of HK\$2,420 million. The movements of the face value of the loan from a fellow subsidiary during the period are as follows:

HK\$ million	2011	2010
Balance at January 1,	2,742	2,693
Interest expenses	12	12
Interest paid	(12)	(12)
Provision for redemption premium	24	24
Balance at June 30,	2,766	2,717

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2011

15. POST BALANCE SHEET EVENT

Under the Cyberport Project Agreement, a Development Maintenance Account (the “DMA Account”) was established for the provision of funds (“DMA Amount”) for the upkeep and maintenance of certain facilities commonly available to both tenants and visitors at the commercial portion of the Cyberport project.

There was a dispute between Cyber-Port Limited (an indirect wholly-owned subsidiary of the Company and hereinafter “CPL”) and PCCW, and Hong Kong Cyberport Development Holdings Limited, Hong Kong Cyberport Management Company Limited and Hong Kong Cyberport (Ancillary Development) Limited (together, the “Cyberport Companies”) concerning the level of funding to the DMA Account under the Cyberport Project Agreement.

On August 1, 2011, following a mediation process, CPL, PCCW and the Cyberport Companies entered into a settlement agreement whereby the parties agreed that the level of funding to the DMA Account should be revised from HK\$500 million to HK\$451 million. The effect of revising the level of funding to the DMA Account is that HK\$49 million will be returned to the operating account of the Cyberport project for distribution and as such, adjustment to the DMA Amount was accounted for in the current reporting period ended June 30, 2011.

GENERAL INFORMATION

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

As at June 30, 2011, the directors and the chief executive of the Company and their associates had the following interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

1. The Company

As at June 30, 2011, the Company had not been notified of any interests or short positions in the shares or underlying shares or debentures of the Company held by the directors or the chief executive of the Company or their associates.

GENERAL INFORMATION

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

2. Associated Corporation of the Company

A. Interests in PCCW Limited ("PCCW")

The tables below set out the aggregate long positions of the directors and the chief executive of the Company in the shares and underlying shares of PCCW, the ultimate holding company of the Company and the debentures issued by PCCW-HKT Capital No.2 Limited, an associated corporation of PCCW, as at June 30, 2011.

(i) Shares and Underlying Shares

Name of director/ chief executive	Personal interests	Number of ordinary shares			Other interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital
		Family interests	Corporate interests					
Li Tzar Kai, Richard	—	—	271,666,824 <i>(Note I(a))</i>	1,724,036,335 <i>(Note I(b))</i>	—	1,995,703,159	27.44%	
Alexander Anthony Arena	760,000	—	—	—	6,400,200 <i>(Note II)</i>	7,160,200	0.10%	
Lee Chi Hong, Robert	992,600 <i>(Note IV(a))</i>	511 <i>(Note IV(b))</i>	—	—	5,000,000 <i>(Note III)</i>	5,993,111	0.08%	
James Chan	—	—	—	—	210,000 <i>(Note III)</i>	210,000	0.003%	
Gan Kim See, Wendy	—	—	—	—	240,000 <i>(Note III)</i>	240,000	0.003%	

GENERAL INFORMATION

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

2. Associated Corporation of the Company - Continued

A. Interests in PCCW Limited ("PCCW") - Continued

(ii) Debentures

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

Notes:

- I. (a) Of these shares of PCCW, Pacific Century Diversified Limited, a wholly-owned subsidiary of Chiltonlink Limited, held 237,919,824 shares and Eisner Investments Limited held 33,747,000 shares. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink Limited and Eisner Investments Limited.

GENERAL INFORMATION

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

2. Associated Corporation of the Company - Continued

A. Interests in PCCW Limited ("PCCW") - Continued

Notes: - Continued

- (b) These interests represented:
- (i) a deemed interest in 36,726,857 shares of PCCW held by Yue Shun Limited, a subsidiary of Hutchison Whampoa Limited ("HWL"). Cheung Kong (Holdings) Limited ("Cheung Kong") through certain subsidiaries held more than one-third of the issued share capital of HWL. Li Tzar Kai, Richard was a discretionary beneficiary of certain discretionary trusts which held units in unit trusts which in turn held interests in certain shares of Cheung Kong and HWL. Li Tzar Kai, Richard was also interested in one-third of the issued share capital of two companies, which owned all the shares in the trustee companies which acted as trustees of such discretionary trusts and unit trusts. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 36,726,857 shares of PCCW held by Yue Shun Limited;
 - (ii) a deemed interest in 138,817,177 shares of PCCW held by Pacific Century Group Holdings Limited ("PCGH"). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 138,817,177 shares of PCCW held by PCGH;
 - (iii) a deemed interest in 1,548,211,301 shares of PCCW held by Pacific Century Regional Developments Limited ("PCRD"), a company in which PCGH had, through certain wholly-owned subsidiaries Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 75.74% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Li Tzar Kai, Richard was also deemed to be interested in 0.91% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,548,211,301 shares of PCCW held by PCRD; and
 - (iv) a deemed interest in 281,000 shares of PCCW held by PineBridge Investments LLC ("PBI LLC") in the capacity as investment manager. PBI LLC was an indirect subsidiary of Chiltonlink Limited and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink Limited. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 281,000 shares of PCCW held by PBI LLC.

GENERAL INFORMATION

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

2. Associated Corporation of the Company - Continued

A. Interests in PCCW Limited ("PCCW") - Continued

Notes: - Continued

- II. These interests represented the beneficial interests of Alexander Anthony Arena in: (a) 200 underlying shares held in the form of 20 American Depositary Receipts which constituted listed equity derivatives; and (b) 6,400,000 underlying shares in respect of share options granted by PCCW under its share option scheme adopted on September 20, 1994 (the "1994 Scheme") to Alexander Anthony Arena as beneficial owner, details of which are set out in Note III below.
- III. These interests represented the interests in underlying shares in respect of share options granted by PCCW under the 1994 Scheme to the directors and the chief executive of the Company as beneficial owners as at June 30, 2011, details of which are set out as follows (all dates are shown month/day/year):

Name of director/ chief executive	Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of options	
					Outstanding as at 01.01.2011	Outstanding as at 06.30.2011
Alexander Anthony Arena	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	16.840	1,600,000	—
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	6,400,000	6,400,000
Lee Chi Hong, Robert	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	5,000,000	5,000,000
James Chan	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	210,000	210,000
Gan Kim See, Wendy	01.22.2001	01.22.2002 to 01.22.2004	01.22.2002 to 01.22.2011	16.840	180,000	—
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	240,000	240,000

GENERAL INFORMATION

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

2. Associated Corporation of the Company - Continued

A. Interests in PCCW Limited ("PCCW") - Continued

Notes: - Continued

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

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

V. PineBridge Investments Asia Limited ("PBIA") in the capacity as investment manager held US\$10,000,000 of the 6% Guaranteed Notes due 2013 (the "Notes") issued by PCCW-HKT Capital No.2 Limited, an associated corporation of PCCW. PBIA was an indirect subsidiary of Chiltonlink Limited and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink Limited. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the amount of US\$10,000,000 of the Notes held by PBIA.

B. Short Positions in PCCW

As at June 30, 2011, the Company had not been notified of any short positions in the shares or underlying shares or debentures of PCCW held by the directors or the chief executive of the Company or their associates.

GENERAL INFORMATION

SHARE OPTION SCHEMES

In order to align the terms of the share option scheme of the Company with those of PCCW and in view of the limited number of shares capable of being issued relative to the current capital base of the Company under the 2003 share option scheme (which was approved and adopted on March 17, 2003 (the “2003 Scheme”)), the shareholders of the Company approved the termination of the 2003 Scheme and the adoption of a new share option scheme (the “2005 Scheme”) at the Company’s annual general meeting held on May 13, 2005. The 2005 Scheme became effective on May 23, 2005 following its approval by the shareholders of PCCW. No further share options will be granted under the 2003 Scheme following its termination, but the provisions of such scheme will remain in full force and effect with respect to the options granted prior to its termination.

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

Details of the options which have been granted and outstanding under the 2003 Scheme during the six months ended June 30, 2011 are as follows:

1. Outstanding options as at January 1, 2011 and as at June 30, 2011

Category of participant	Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of options	
					Outstanding as at 01.01.2011	Outstanding as at 06.30.2011
Director of the Company’s subsidiary	12.20.2004	Fully vested on 12.20.2004	12.20.2004 to 12.19.2014	2.375	5,000,000	5,000,000

Note: All dates are shown month/day/year

GENERAL INFORMATION

SHARE OPTION SCHEMES - CONTINUED

2. Options granted during the six months ended June 30, 2011

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

3. Options exercised during the six months ended June 30, 2011

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

4. Options cancelled or lapsed during the six months ended June 30, 2011

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.

INTERESTS AND SHORT POSITIONS IN SHARES OF SUBSTANTIAL SHAREHOLDERS

1. Interests in the Company

As at June 30, 2011, the following persons (other than directors or the chief executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares/ underlying shares held	Approximate Percentage of issued share capital
PCCW	Beneficial owner	2,153,555,555 (<i>Note I</i>)	89.45%
Elliott Capital Advisors, L.P.	Interest of controlled corporations	530,883,500 (<i>Note II</i>)	22.05%
Peter Cundill & Associates (Bermuda) Ltd.	Investment manager	124,952,000	5.19%

GENERAL INFORMATION

INTERESTS AND SHORT POSITIONS IN SHARES OF SUBSTANTIAL SHAREHOLDERS - CONTINUED

1. Interests in the Company - Continued

Notes:

- I. These interests represented (a) an interest in 1,481,333,333 shares in the Company held by Asian Motion Limited, a wholly-owned subsidiary of PCCW; and (b) an interest in respect of 672,222,222 underlying shares held by PCCW-HKT Partners Limited, a wholly-owned subsidiary of PCCW, arising as a result of the holding of the HK\$2,420 million guaranteed convertible note issued by PCPD Wealth Limited, a wholly-owned subsidiary of the Company, on December 29, 2006.
- II. Elliott Capital Advisors, L.P. has direct or indirect control over The Liverpool Limited Partnership and Elliott International L.P. and is therefore deemed to control the exercise of the voting power of the 212,353,400 shares held by The Liverpool Limited Partnership and the 318,530,100 shares held by Elliott International L.P.

2. Short Positions in the Company

As at June 30, 2011, 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, 2011, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2011, there was no purchase, sale or redemption of listed securities by the Company or any of its subsidiaries of the listed securities of the Company.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the six months ended June 30, 2011 and has held one meeting during the period under review.

GENERAL INFORMATION

PUBLIC FLOAT

Based on the information that was available to the Company as at the date of the interim results announcement of the Company for the six months ended June 30, 2011, the percentage of shares held by the public was approximately 15.41%, which was below the minimum percentage prescribed under Rule 8.08 (the “Minimum Prescribed Percentage”) of the Listing Rules. The shortfall arose as the current shareholding of Elliott Capital Advisors, L.P. (through certain entities it controlled) was approximately 23.06% of the issued share capital in the Company and hence such entity was a substantial shareholder and a connected person of the Company. As such, the shareholding of Elliott Capital Advisors, L.P. was not counted towards the public shareholding of the Company. The Company will take steps to restore its public holdings to the Minimum Prescribed Percentage as soon as practicable. Further announcement will be made in due course once there is concrete progress in the restoration of the public float of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code provisions contained in the Code on Corporate Governance Practices (the “Code”) set out in Appendix 14 to the Listing Rules for the six months ended June 30, 2011, except that the Chairman of the Board was unable to attend the Company’s annual general meeting held on May 5, 2011 (which was required under the code provision E.1.2) as he was away on an overseas business trip.

MODEL CODE SET OUT IN APPENDIX 10 OF THE LISTING RULES

The Company has adopted its own code of conduct regarding securities transactions by directors and senior management, namely the PCPD Code of Conduct for Securities Transactions by Directors and Senior Management (the “PCPD Code”), on terms not less exacting than the required standard under the Model Code set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiry of all directors of the Company, who have confirmed that they have complied with the required standard set out in the PCPD Code for the six months ended June 30, 2011.

INVESTOR RELATIONS

LISTING

The Company's ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited and the stock code is 00432.

Any enquiries regarding the Company should be addressed to Investor Relations at the address provided on this page.

BOARD OF DIRECTORS

Executive Directors

Li Tzar Kai, Richard (*Chairman*)

Alexander Anthony Arena (*Deputy Chairman*)

Lee Chi Hong, Robert (*Chief Executive Officer*)

Lam Yu Yee (*Deputy Chief Executive Officer*)

Chan, James

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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Bermuda

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Pembroke HM 08

Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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