Pacific Century Premium Developments
盈科大衍地產發展

# PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED

**盈 科 大 衍 地 產 發 展 有 限 公 司***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00432)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2012

The board of directors (the "Board") of Pacific Century Premium Developments Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2012. This interim financial information has not been audited but 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 Hong Kong Institute of Certified Public Accountants ("HKICPA").

SUMMARY

- Consolidated turnover decreased by 32 per cent to approximately HK$848 million
- Consolidated operating profit decreased by 30 per cent to approximately HK$162 million
- Profit attributable to the Company's equity holders decreased by 65 per cent to approximately HK$29 million
- Basic earnings per share 1.32 Hong Kong cents
- The Board did not declare an interim dividend

## Profit for the first half of 2012

The Group's unaudited profit attributable to equity holders of the Company for the six months ended June 30, 2012 amounted to approximately HK$29 million. Basic earnings per share were 1.32 Hong Kong cents.

## BUSINESS REVIEW

### Property development

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

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

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

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

### Property investment in Mainland China

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

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

### Other businesses

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| HK$ million | Note(s) | For the six months ended June 30, 2012 (Unaudited) | 2011 (Unaudited) |
|---|---|---|---|
| **Turnover** | 2 | **848** | 1,250 |
| Cost of sales | | **(480)** | (756) |
| Gross profit | | **368** | 494 |
| General and administrative expenses | | **(222)** | (289) |
| Other income | | **—** | 11 |
| Other gain, net | | **11** | — |
| Surplus on revaluation of investment properties | | **5** | 16 |
| **Operating profit** | | **162** | 232 |
| Interest income | | **14** | 11 |
| Finance costs | | **(95)** | (81) |
| **Profit before taxation** | 2, 3 | **81** | 162 |
| Income tax | 4 | **(52)** | (78) |
| **Profit attributable to equity holders of the Company** | | **29** | 84 |
| **Other comprehensive (loss) / income:** | | | |
| Currency translation differences: | | | |
| Exchange differences on translating foreign operations | | **(69)** | 117 |
| **Total comprehensive (loss) / income** | | **(40)** | 201 |
| **Earnings per share** (expressed in Hong Kong cents per share) | | | |
| Basic | 6 | **1.32 cents** | 3.51 cents |
| Diluted | 6 | **1.32 cents** | 3.51 cents |

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

## CONDENSED CONSOLIDATED BALANCE SHEET

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

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

**Notes:**

## 1. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated financial information of the Group has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the HKICPA. The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

The unaudited condensed consolidated financial information has been reviewed by the Company's Audit Committee, and the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The preparation of the unaudited condensed consolidated financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing these unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those which applied to the consolidated financial statements as at and for the year ended December 31, 2011.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial information are consistent with those used in preparing the Group's annual financial statements for the year ended December 31, 2011, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards, HKASs and interpretations ("new HKFRS") which are effective for the annual period beginning on January 1, 2012:

*Amendments to HKAS 12, Income Taxes*

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

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

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

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

## 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 purpose 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** | |
|---|---|---|---|---|---|---|---|---|---|---|
| For the six months ended June 30, | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| Revenue from external customers | **636** | 1,027 | **119** | 127 | **93** | 96 | **—** | — | **848** | 1,250 |
| Inter-segment revenue | **—** | — | **—** | — | **1** | 5 | **(1)** | (5) | **—** | — |
| Reportable segment revenue | **636** | 1,027 | **119** | 127 | **94** | 101 | **(1)** | (5) | **848** | 1,250 |
| Interest income | **1** | 1 | **9** | 6 | **—** | — | **—** | — | **10** | 7 |
| Unallocated interest income | | | | | | | | | **4** | 4 |
| Consolidated interest income | | | | | | | | | **14** | 11 |
| Finance costs | **—** | — | **—** | — | **—** | — | **—** | — | **—** | — |
| Unallocated finance costs | | | | | | | | | **95** | 81 |
| Consolidated finance costs | | | | | | | | | **95** | 81 |
| Depreciation and amortisation | **1** | 1 | **12** | 10 | **5** | 9 | **—** | — | **18** | 20 |
| Unallocated depreciation and amortisation | | | | | | | | | **3** | 5 |
| Consolidated depreciation and amortisation | | | | | | | | | **21** | 25 |
| Profit/(loss) before taxation | **181** | 271 | **71** | 78 | **(4)** | (3) | — | — | **248** | 346 |
| Unallocated corporate expenses | | | | | | | | | **(167)** | (184) |
| Consolidated profit before taxation | | | | | | | | | **81** | 162 |
| Income tax | **28** | 45 | **14** | 29 | **8** | 2 | — | — | **50** | 76 |
| Unallocated income tax | | | | | | | | | **2** | 2 |
| Consolidated income tax | | | | | | | | | **52** | 78 |

## 2. Turnover and Segment Information (Cont'd)

| HK$ million<br>For the six months ended June 30, | Property development in Hong Kong<br>2012 | <br>2011 | Property investment in Mainland China<br>2012 | <br>2011 | Other businesses (note a)<br>2012 | <br>2011 | Elimination<br>2012 | <br>2011 | Consolidated<br>2012 | <br>2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| Addition to non-current segment assets during the period | — | — | **17** | 25 | **45** | 24 | — | — | **62** | 49 |
| Unallocated addition | | | | | | | | | **11** | 1 |
| Consolidated addition to non-current segment assets during the period | | | | | | | | | **73** | 50 |

| HK$ million<br>As at | Property development in Hong Kong<br>June 30, 2012 | <br>December 31, 2011 | Property investment in Mainland China<br>June 30, 2012 | <br>December 31, 2011 | Other businesses (note a)<br>June 30, 2012 | <br>December 31, 2011 | Elimination<br>June 30, 2012 | <br>December 31, 2011 | Consolidated<br>June 30, 2012 | <br>December 31, 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| Segment assets | **2,013** | 3,954 | **6,169** | 5,939 | **1,514** | 1,401 | — | — | **9,696** | 11,294 |
| Unallocated corporate assets | | | | | | | | | **456** | 1,739 |
| Consolidated total assets | | | | | | | | | **10,152** | 13,033 |
| Segment liabilities | **1,084** | 2,692 | **747** | 713 | **52** | 48 | — | — | **1,883** | 3,453 |
| Unallocated corporate liabilities | | | | | | | | | **2,685** | 2,514 |
| Consolidated total liabilities | | | | | | | | | **4,568** | 5,967 |

(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.

## 3. Profit Before Taxation

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

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

## 4. Income Tax

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

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

| | Six months ended June 30, | |
|---|---|---|
| HK$ million | **2012** | 2011 |
| Current income tax | | |
| Hong Kong profits tax | **29** | 38 |
| Income tax outside Hong Kong | **5** | 8 |
| Deferred income tax | | |
| Change in fair value of investment properties | **1** | 3 |
| Other origination and reversal of temporary differences | **17** | 29 |
| | **52** | 78 |

## 5. Dividend

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

## 6. Earnings per Share

The calculations of basic and diluted earnings per share based on the share capital of the Company are as follows:

| | Six months ended June 30, | |
|---|---|---|
| | **2012** | 2011 |
| **Earnings** (HK$ million) | | |
| Earnings for the purpose of calculating the basic earnings per share | **29** | 84 |
| Finance costs on 2014 Convertible Note recognised in the consolidated statement of comprehensive income | **87** | 73 |
| Earnings for the purpose of calculating the diluted earnings per share | **116** | 157 |
| | ***Number of shares*** | *Number of shares* |
| Weighted average number of ordinary shares for the purpose of calculating the basic earnings per share | **2,186,110,175** | 2,407,459,873 |
| Effect of dilutive potential ordinary shares on conversion of 2014 Convertible Note and the employee share options | **672,222,222** | 672,222,222 |
| Weighted average number of ordinary shares for the purpose of calculating the diluted earnings per share | **2,858,332,397** | 3,079,682,095 |

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

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

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

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

## 7. Derivative Financial Instrument

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

## 8. Trade Receivables, net

An aging analysis of trade receivables is set out below:

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

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

## 9. Trade Payables

An aging analysis of trade payables is set out below:

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

# FINANCIAL REVIEW

## Review of results

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

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

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

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

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

In accordance with the applicable HKFRS issued by the HKICPA, the revenue and profits from the sale of property development are and would be recognised on completion of a development, when the inflow of economic benefits associated with the property sales transactions is assessed to be probable and significant risks and rewards of ownership have been transferred.

## Current assets and liabilities

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

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

## Capital structure, liquidity and financial resources

As at June 30, 2012, the Group's borrowings amounted to approximately HK$2,817 million, as compared to total borrowings of HK$2,799 million as at December 31, 2011. The increase represented the recognition of amortised redemption premiums of HK$24 million for the 2014 Convertible Note held by PCCW-HKT for the principal of HK$2,420 million, netted off by HK$6 million bank loan repayment during the period. As at June 30, 2012, the Group's borrowings comprised the RMB2.5 million short-term bank loan and the 2014 Convertible Note which (a) carries a fixed interest rate of 1 per cent per annum and (b) will become repayable at 120 per cent of the outstanding principal amount at maturity in May 2014. As the 2014 Convertible Note is held by a fellow subsidiary of the Company's major shareholder, it has not been included in the total debt for the calculation of the debt-to-equity ratio of the Group. As at June 30, 2012, the debt-to-equity ratio excluding such 2014 Convertible Note was 0.1 per cent (as at December 31, 2011: 0.1 per cent).

Unless such 2014 Convertible Note is fully redeemed or converted by the due date, the amount due under it on such due date would be re-financed by the 2019 Convertible Note subscribed by PCCW-HKT under the subscription agreement made on March 2, 2012 as approved by independent shareholders at the special general meeting of May 2, 2012.

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

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

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

### Income tax

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

### Charge on assets

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

### Contingent liabilities

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

## EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2012, the Group employed a total number of 318 staff in Hong Kong and overseas. The remuneration policies of the Group are in line with prevailing industry practices. They have been formulated on the basis of performance and experience, and they are reviewed regularly. Bonuses are paid on a discretionary basis, based on the performance of individual employees and the Group's performance as a whole. The Group also provides comprehensive employee benefits, including medical insurance, a choice of a provident fund or a mandatory provident fund as well as training programmes.

The share option scheme that the Company adopted on March 17, 2003 ("2003 Share Option Scheme") was terminated on May 13, 2005, and was replaced with a new share option scheme which was adopted on May 23, 2005 ("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 while the outstanding options granted before the adoption of the New Share Option Scheme would continue to apply the terms of the 2003 Share Option Scheme until the expiry of such outstanding options.

## DIVIDEND

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

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

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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

## AUDIT COMMITTEE

The Company's Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended June 30, 2012 and has held one meeting during the period under review.

## PUBLIC FLOAT

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

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

As at the date of this announcement, the Company complies with the public float requirement under Rule 8.08(1) of the Listing Rules.

## CORPORATE GOVERNANCE PRACTICES

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

## OUTLOOK

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

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

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

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

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

By Order of the Board
**Pacific Century Premium Developments Limited**
**Cheng Wan Seung, Ella**
*Company Secretary*

Hong Kong, August 10, 2012

*As at the date of this announcement, the directors of the Company are:*

*Executive Directors:*
Li Tzar Kai, Richard (Chairman); Lee Chi Hong, Robert (Deputy Chairman and Chief Executive Officer); Lam Yu Yee (Deputy Chief Executive Officer and Chief Financial Officer); James Chan; and Gan Kim See, Wendy.

*Independent Non-Executive Directors:*
Cheung Kin Piu, Valiant; Prof Wong Yue Chim, Richard, SBS, JP; and Dr Allan Zeman, GBM, GBS, JP.

* *For identification only*