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If you have sold or transferred all your shares in **Pacific Century Premium Developments Limited**, you should at once hand this circular to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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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)

MAJOR TRANSACTION

**CONSTRUCTION OF HOTEL
IN NISEKO, HOKKAIDO, JAPAN**

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DEFINITIONS

In this circular and the appendices to it, the following expressions have the following meanings unless the context requires otherwise:

“Board”	the board of Directors (as constituted from time to time)
“Company”	Pacific Century Premium Developments Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 00432)
“Contract Sum”	JPY16,280,000,000, excluding consumption tax, being the contract sum payable by the Owner to the Contractor in respect of the Hotel Construction
“Contractor”	Fujita/Iwata Chizaki Specified Construction Joint Venture
“Construction Contract”	a contract dated 20 July 2018 and entered into between the Owner and the Contractor relating to, <i>inter alia</i> , the design and construction of the Hotel on the Land
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hotel”	Park Hyatt Niseko, Hanazono being constructed on the Land
“Hotel Construction”	the transaction for design and construction of the Hotel on the Land by the Contractor for the Owner
“IDR”	Indonesian Rupiah, the lawful currency of the Republic of Indonesia
“JPY”	Japanese yen, the lawful currency of Japan
“Land”	a land in Niseko Hanazono, Hokkaido, Japan held by the Group on which the Park Hyatt Niseko Hanazono Residences Project is located
“Latest Practicable Date”	20 August 2018, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Owner”	Harmony TMK, a company incorporated in Japan, and an indirect wholly-owned subsidiary of the Company
“Park Hyatt Niseko Hanazono Residences Project”	a property development project undertaken by the Group on the Land
“PCCW”	PCCW Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 00008) and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States (ticker: PCCWY), which indirectly holds approximately 70.83% of the total number of Shares in issue as at the Latest Practicable Date
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value of HK\$0.50 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

Unless indicated otherwise, in this circular, translation of amounts in JPY into HK\$ have been made at the rate of HK\$0.071051 = JPY1 and IDR into HK\$ have been made at the rate of HK\$0.000538 = IDR1 respectively for illustration purpose only. No representation is made that any amount in HK\$ could have been or could be converted at such respective rates or at all.

LETTER FROM THE BOARD



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)

Executive Directors:

Li Tzar Kai, Richard (*Chairman*)
Lee Chi Hong, Robert (*Deputy Chairman and
Chief Executive Officer*)
James Chan
Hui Hon Hing, Susanna

Non-Executive Director:

Dr Allan Zeman, GBM, GBS, JP

Independent Non-Executive Directors:

Prof Wong Yue Chim, Richard, SBS, JP
Chiang Yun
Dr Vince Feng

Registered Office:

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Principal place of business in

Hong Kong:

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Hong Kong

24 August 2018

To the Shareholders

Dear Sir/Madam

MAJOR TRANSACTION

CONSTRUCTION OF HOTEL IN NISEKO, HOKKAIDO, JAPAN

1. INTRODUCTION

Reference is made to the announcement of the Company dated 20 July 2018 on the Hotel Construction. On 20 July 2018, the Owner (an indirect wholly-owned subsidiary of the Company) and the Contractor entered into the Construction Contract, under which the Owner has engaged the Contractor to design and construct the Hotel. The Hotel will be constructed on the Land which is the site owned by the Group in Niseko Hanazono, Hokkaido, Japan on which the Park Hyatt Niseko Hanazono Residences Project is located.

* For identification only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, information on the Hotel Construction, which includes the relevant terms of the Construction Contract, the financial effects of the transaction, the financial information of the Group and other information as required under the Listing Rules.

2. THE CONSTRUCTION CONTRACT

Below is a summary of the principal terms of the Hotel Construction:

Date

20 July 2018 (i.e. the date of execution of the Construction Contract)

Parties

- (1) The Owner (as the owner)
- (2) the Contractor (as the contractor)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Contractor and its ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Subject Matter

Under the Construction Contract, the Owner has engaged the Contractor to design and construct the Hotel with a total gross floor area of 23,339 square meters on the Land for the Owner, including ancillary function buildings, namely function village and chapel as well as associated landscape works.

Contract Sum

JPY16,280,000,000 (equivalent to approximately HK\$1,156,710,280) (excluding consumption tax).

The Contract Sum will be funded by the Group's internal resources and available banking facilities.

The Owner carried out a tendering process for determining the award of the Construction Contract.

The Owner had screened and selected 19 local construction contractors in Japan as pre-qualified bidders. These bidders were mid to large building contractors which were considered capable of undertaking the design and build contract for the proposed development ("**Tender**").

In order to ensure that the contractors possess sufficient resources to procure that the proposed construction works would be finished within the timeframe and with the quality required by the Owner, the Owner invited all shortlisted contractors to express their interest in the proposed

LETTER FROM THE BOARD

development and then conducted interviews with them. Through the interviews, the Owner reviewed the workload of the shortlisted contractors and their limitations in mobilization of necessary equipment and labour for the construction.

In view of the high demand for the local construction industry in Japan (particularly the construction works for the infrastructures for the Tokyo Olympics 2020) and the limitation of equipment/labour in Hanazono, only three contractors confirmed their interest in participating in the Tender. Out of these three, only two contractors had submitted their bids to the Owner.

Since the Contractor had submitted the bid with the lowest contract sum in the tendering process, the Owner had chosen the Contractor to continue to negotiate on the construction works.

The Contract Sum was therefore determined initially by way of tender conducted by the Owner and subsequently by arm's length negotiations between the Owner and the Contractor with reference to the scope of construction and design and the market price for carrying out construction and design works of other 5-star hotels in Japan of comparable scale and complexity.

Payment Terms

The Owner has paid to the Contractor an initial deposit of JPY2,093,442,000 (equivalent to approximately HK\$148,741,148) (excluding consumption tax), which represents approximately 12.86% of the Contract Sum, for advance design and works prior to the execution of Construction Contract. The initial deposit was paid to cover the groundwork done by the Contractor before the award of the Construction Contract, which includes architectural and engineering design services as well as advance site formation works, and is not refundable.

The Owner will further pay the balance of the Contract Sum to the Contractor in the following manner:

- (i) subject to submission of a bank guarantee by the Contractor with the same amount of the deposit payments, further deposit payments amounting to 20% of the Contract Sum ("**Further Deposit**") will be paid in 3 stages as follows:
 - (a) 1% of the Contract Sum to be paid within 7 days upon execution of the Construction Contract;
 - (b) 14% of the Contract Sum to be paid within 1 month after the execution of the Construction Contract; and
 - (c) 5% of the Contract Sum to be paid within 1 month after the second further deposit payment (i.e. payment under sub-paragraph (b) above);

(The Owner will only pay the Further Deposit after the Owner has received the bank guarantee of the same amount from the Contractor. The Contractor shall ensure that such bank guarantee is valid and enforceable until the Further Deposit has been fully used up in the milestone payments (as set out below) based on the Construction Contract.)

LETTER FROM THE BOARD

- (ii) remaining payment to be released in six further installments based on the below pre-agreed milestone schedules with 5% of retention to be withheld by the Owner:

Installments	Description of milestone	Percentage of Contract Sum	Anticipated payment date
1 st	Completion of all concrete floor slabs including roof floor	13.83%	End Nov 2018
2 nd	Completion of curtain wall on the first floor	7.34%	End Feb 2019
3 rd	Completion of all glazed works for the first 3 floors	11.00%	End May 2019
4 th	Completion of roof covering	10.18%	End Jul 2019
5 th	Completion of external works and demolition of scaffolding	7.89%	End Sep 2019
6 th	At the time of handover	<u>16.90%</u>	End Nov 2019
	Total	<u><u>67.14%</u></u>	

The completion of each of the above milestone with reference to the agreed construction programme will be certified by an independent administrative architect engaged by the Owner as per the agreed terms and conditions of the Construction Contract.

The Contract Sum comprises the initial deposit (12.86%), the Further Deposit (20%), and the six milestone payments (total 67.14%).

The Further Deposit serves as advance payment to the Contractor in order to enable the Contractor to start work under the Construction Contract, including mobilizing workers and buying materials and equipment. Such advance payment shall be repaid through percentage deductions (in this case 20%) in the Owner's payments for works done. This arrangement will ensure the advance payment held by the Contractor is kept at 20% of the unpaid works.

In case the Contractor fails to perform its obligation under the Construction Contract and the Owner exercises its rights to terminate the Construction Contract, the Owner can recover any amounts still deposited with the Contractor (which have not yet been repaid by the Contractor through the milestone payments as described above) through drawing on the bank guarantee.

Upon the completion of the construction works, when the last milestone payment is due, if the Contractor has submitted a bank guarantee to the Owner for the amount equivalent to the retention monies retained by the Owner, the Owner will release the retention monies to the Contractor.

LETTER FROM THE BOARD

Performance Security

A performance bond with amount equivalent to 10% of the Contract Sum shall be procured by the Contractor within 28 days after the execution of the Construction Contract from an international bank approved by the Owner to ensure the Contractor's proper performance in delivering its duties and obligations under the Construction Contract. The Contractor shall ensure that such performance bond is valid and enforceable until completion of the construction works based on the Construction Contract.

Liquidated Damages on Delay

JPY9,868,958 per calendar day (equivalent to approximately HK\$701,199).

Should the Contractor fail to complete the works by the date for completion specified in the Construction Contract, the Owner will be entitled to exercise its right to recover the above liquidated damages until the completion of the works. The completion date for the works shall be certified by an independent administrative architect engaged by the Owner as per the terms and conditions of the Construction Contract.

Expected Date of Completion of the Works

The entire Hotel Construction is expected to be completed around November 2019.

Current Status of the Land

The Land is permitted for property development subject to the approved development permit obtained by the Owner. As at the date of the execution of the Construction Contract, all associated statutory permits have been obtained for the development of the Hotel.

3. REASONS FOR AND BENEFITS OF THE HOTEL CONSTRUCTION

Capturing the tourist boom

Niseko of Hokkaido has emerged as a tourist hot spot in Japan in recent years. The stunning natural surroundings and the magic powder snow in winter bring unique experiences to visitors.

According to the statistics from Hokkaido Government Shiribeshi General Subprefectural Bureau, Niseko, which includes the towns of Niseko and Kutchan, accommodated over 650,000 foreign visitors in the year ended March 2017, which is more than 30 times of its resident population of about 21,000.

The Group anticipates that the tourism industry in Niseko and the demand for hotel rooms, especially luxury options, would continue to grow significantly over the next few years.

LETTER FROM THE BOARD

Bringing luxury to the next level

Construction of the Hotel is expected to complete in the fourth quarter of 2019. This ski-in ski-out luxury hotel and the neighboring residences will showcase international architecture and interior design, exquisite culinary journeys, spectacular works of art and the legendary service of the Park Hyatt brand.

The Group anticipates that the luxurious hotel and the neighboring residences and the exceptional facilities, including meeting spaces, spa, onsen as well as swimming pool together with priority access to the Hanazono golf course which are situated/available on the Land, would attract visitors looking for a refined and sophisticated experience.

Maintain long-term growth and profitability

The Hotel is one of the premium investments of the Group. This 100-room, prestigious 5-star hotel will offer synergies to the Group's other businesses in the surrounding area. Niseko, Hokkaido, Japan, where the Group's all-season recreational operations are located, is a premium ski destination in the world. There are various facilities and recreational activities and services operated by the Group, including year-round property management and vacation bookings, as well as restaurant operations, specialty retail, ski lifting, ski equipment rental, ski school and snowmobile tours in winter and rafting tours and golfing in summer. The Group's all-season recreational operations provide one of the major sources of recurring revenue for the Group, and will greatly benefit from the expected new guests staying overnight at the Hotel who would also indulge in the Group's all-season services.

The Hotel is expected to contribute to the Group's earnings in the long-run, and will also enhance further business growth of the Group's all-season recreational operations.

The Board considers that the Hotel Construction is on normal commercial terms, the terms thereof are fair and reasonable and that such transaction is in the interests of the Company and the Shareholders as a whole.

4. FINANCIAL EFFECTS OF THE TRANSACTION

The Contract Sum of JPY16,280,000,000 (equivalent to approximately HK\$1,156,710,280) (excluding consumption tax) for the Hotel Construction will be funded by the Group's internal resources and available banking facilities. As at the Latest Practicable Date, a sum of approximately JPY4,535,442,000 (equivalent to approximately HK\$322,247,690) (excluding consumption tax) including the initial deposit of JPY2,093,442,000 (equivalent to approximately HK\$148,741,148) (excluding consumption tax) had been paid as part payment of the Contract Sum according to the terms of the Construction Contract. As at 30 June 2018, the Group had cash and bank balances of approximately HK\$2,009 million. The Directors consider that the Hotel Construction will not have an immediate material effect on the total assets, earnings and liabilities of the Group.

LETTER FROM THE BOARD

5. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Hotel Construction exceeds 25% but is less than 100%, the Hotel Construction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting to seek the approval of the Hotel Construction. As at the Latest Practicable Date, Asian Motion Limited (a wholly-owned subsidiary of PCCW) held 285,088,666 Shares, representing approximately 70.83% of the total number of the Shares in issue. The Company has obtained written approval from Asian Motion Limited, being a holder of more than 50% of the total number of the Shares in issue, of the Hotel Construction in lieu of a general meeting in accordance with Rule 14.44 of the Listing Rules. Accordingly, no general meeting will be convened by the Company for approving the Hotel Construction and the transactions contemplated thereunder.

6. INFORMATION OF THE PARTIES

The Group is principally engaged in the development and management of premium property and infrastructure projects as well as premium-grade property investments.

The principal activity of the Owner is property development in Japan.

The principal activity of the Contractor is contracting, planning, design, supervision, and consulting services for construction projects.

7. RECOMMENDATION

The Directors, including the independent non-executive Directors, are of the view that the terms of the Hotel Construction under the Construction Contract are fair and reasonable and in the interest of the Group and the Shareholders as a whole. Accordingly, should a resolution be put at a general meeting of the Company for the Shareholders to consider the same, the Directors would recommend the Shareholders to vote in favour of such resolution. As disclosed above, the Company has already obtained the written shareholders' approval by Asian Motion Limited in respect of the Hotel Construction.

8. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board of
Pacific Century Premium Developments Limited
Lee Chi Hong, Robert
Executive Director

A. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 31 December 2015, 2016 and 2017 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.pcpd.com>) and which can be accessed by the direct hyperlinks below:

- annual report of the Company for the year ended 31 December 2015 published on 23 March 2016 (pages 60 to 141): http://www.pcpd.com/upload/File/E00432_PCPD_2015%20Annual%20Report.pdf
- annual report of the Company for the year ended 31 December 2016 published on 8 February 2017 (pages 70 to 149): http://www.pcpd.com/upload/File/E00432_2016_Annual%20Report.pdf
- annual report of the Company for the year ended 31 December 2017 published on 3 March 2018 (pages 70 to 151): http://www.pcpd.com/upload/File/E00432_2017%20Annual%20Report.pdf

B. INDEBTEDNESS

As at the close of business on 30 June 2018, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following bank borrowings and guaranteed notes:

	<i>HK\$ million</i>
Borrowings, repayable within a period	
– not exceeding one year	4
– over one year, but not exceeding two years	810
– over two years, but not exceeding five years	4,472
– over five years	<u>45</u>
	<u><u>5,331</u></u>
Representing:	
Guaranteed notes	4,445
Bank borrowings	<u>886</u>
	<u><u>5,331</u></u>
Secured	<u><u>886</u></u>
Unsecured	<u><u>4,445</u></u>

Aggregate banking facilities as at 30 June 2018 were HK\$2,341 million of which HK\$1,444 million remained undrawn by the Group. All the bank borrowings are guaranteed by the Company or the companies within the Group. As at the Latest Practicable Date, the undrawn banking facilities were HK\$1,032 million.

As at 30 June 2018, the Group had HK\$4,445 million guaranteed notes listed on the Singapore Exchange Securities Trading Limited. The guaranteed notes are irrevocably and unconditionally guaranteed by the Company and rank *pari passu* with all other outstanding unsecured and unsubordinated obligations of the Group.

As confirmed by the Directors, there are no material defaults in payment of bank borrowings and guaranteed notes up to the Latest Practicable Date.

Save as disclosed above or as mentioned herein and apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 30 June 2018, any other debt securities issued and outstanding, or authorised or otherwise created but not issued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or material hire purchase commitments, any other mortgages and charges other than the aforesaid bank borrowings or any guarantees or any material finance lease commitments or material contingent liabilities.

Contingent Liabilities

During the six months ended 30 June 2018, the Company's indirect wholly-owned subsidiary in Indonesia (the "**Taxpayer**") received a tax assessment notice ("**2018 Assessment**") from the Indonesian tax office ("**ITO**") in relation to the creditability of value added tax ("**VAT**") arising from the acquisition of a plot of land in Jakarta, Indonesia in October 2013 ("**Land VAT**") which amounted to IDR183,834.4 million (approximately HK\$102 million)*.

The Land VAT had been reported as creditable input VAT in the monthly VAT report for the period of October 2013 to compensate future output VAT after the tax assessment issued in 2014. However, after tax re-audit which was performed during the six months ended 30 June 2018, the ITO issued an assessment notice stating that the Land VAT is non-creditable resulting in a tax underpayment of IDR183,834.4 million (approximately HK\$102 million)* and a penalty of IDR183,834.4 million (approximately HK\$102 million)*. According to the tax assessment notice, the Taxpayer is required to pay the tax underpayment and penalty totalling IDR367,668.8 million (approximately HK\$204 million)*. After consideration of professional advice, the Group is of the view that the ITO has no basis to re-perform the 2018 Assessment and would file an objection to the ITO against the tax assessment.

During the six months ended 30 June 2018, the Taxpayer received tax assessment letters from the ITO in dispute of the applicable withholding tax rate that was applied to the shareholder's loan interest payments in the years 2014 and 2015. The tax underpayment including interest charge for the years of 2014 and 2015 amounted to IDR8,094 million (approximately HK\$5 million)* and IDR14,071 million (approximately HK\$8 million)* respectively and the Group has filed an objection for the assessments and pending a reply from the ITO. The amounts had been paid in advance in June 2018.

Charges

As at 30 June 2018, several property, plant and equipment, properties held for development and cash and cash equivalents of the Group, with carrying values approximately HK\$155 million, HK\$2,172 million and HK\$6 million respectively were pledged to secure bank loan and credit facilities of the Group.

Apart from the above banking facility security, pursuant to the lease arrangement with a new tenant of the premium Grade A office building in Jakarta who paid the full rental for the initial term of the lease immediately after signing the lease agreement, a performance bond was issued at IDR6,500 million (equivalent to HK\$3.60 million)* which will be cancelled upon the lease commencement. Same amount of cash was deposited with the bank issuing the performance bond as security.

* Based on 30 June 2018 closing rate of HK\$0.000553 = IDR1

C. WORKING CAPITAL

Taking into account the expected completion of the Hotel Construction and the financial resources available to the Group, including internally generated funds and available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements in absence of unforeseen circumstances, that is for at least 12 months following the date of this circular.

D. MATERIAL ADVERSE CHANGE

Under the tax dispute with the ITO, the Group was demanded to pay the tax assessment notice for tax underpayment of IDR183,834.4 million (approximately HK\$98.9 million) due to the non-creditable value added tax arising from the land acquisition in 2013 plus a tax penalty of IDR183,834.4 million (approximately HK\$98.9 million). The Group has filed an objection to the ITO and paid the tax underpayment and the penalty totalling IDR367,668.8 million (approximately HK\$197.8 million) by following the objection procedures. The payment was made before the Latest Practicable Date. For details, please refer to the section headed "INDEBTEDNESS" on pages 10 to 12 in this circular.

Apart from the tax disputes as disclosed, the Directors confirmed that as at the Latest Practicable Date, there had not been any material adverse change in the financial or trading position or outlook of the Group since 31 December 2017, the date to which the latest audited consolidated financial statements of the Group were made up.

E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Directors expect that the global economy will continue a broad-based growth in midst of the US Federal Reserve raised its benchmark interest rates for the second time this year in June 2018, the seventh since 2015. The central bank also hinted two more hikes for the rest of the year due to a solid economic growth and rising inflation. The Group will continue to seek potential projects around the world, including Hong Kong, Southeast Asia and London.

Pacific Century Place, Jakarta, Indonesia is expected to bring stable recurring income to the Group in 2018. The Company expects the demand for premium Grade A office space to pick up later this year. However, with the record high level of supply in the CBD and increasing competition, premium office rents may come under pressure.

Japan's housing market remained upbeat, despite slow economic growth. Notwithstanding the expected increased condominium supply in Niseko, Japan, over the next few years, the Company believes that the demand for luxury options will remain resilient. Construction of the Hotel and Park Hyatt Niseko Hanazono Residences ("**Branded Residences**") is progressing as scheduled. The Group will enhance the sales momentum of and launch the remaining units of the Branded Residences.

In Thailand, the Group has entered into the design stage of phase 1 of the project in Phang-nga. Thailand has recently announced the development of a second Greater Phuket airport. The Company expects it to serve as a gateway and boost another wave of tourism in the area.

In Hong Kong, the Group completed the acquisition of a target group of investment or property holding companies which directly or indirectly hold the properties located at 3-6 Glenealy, Central, Hong Kong (the "**Site**") in March 2018. The consideration for such acquisition composed of (i) deposits of HK\$300 million in aggregate paid prior to completion; balance of cash consideration of approximately HK\$1,864 million paid for completion; and (ii) the allotment and issuance at completion of one non-voting participating share of the Company's subsidiary (which is the acquirer) to the seller so that the seller has the right to 50 per cent of the dividend distributions by the acquirer. The Site is intended to be redeveloped into a luxury residence. The aforesaid cash consideration was partly funded by the Group's internal resources and partly by a banking facility. There was no variation to the remuneration payable to or benefits in kind receivable by those directors of the target group of companies being acquired in consequence of the acquisition.

As disclosed in the section headed "INDEBTEDNESS" on pages 10 to 12 in this circular, the Group has not made any provision for tax charges in relation to the tax dispute with the ITO. This may negatively impact the profit or loss of the Group in subsequent financial years if the tax dispute concludes to be unfavourable to the Group.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm to the best of their knowledge and belief that the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**(a) Directors' and chief executives' interests and short positions in shares, share stapled units, underlying shares, underlying share stapled units and debentures of the Company and its associated corporations**

As at the Latest Practicable Date, the Directors and the chief executives of the Company and their associates had the following interests and short positions in the shares, share stapled units, underlying shares, underlying share stapled units and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and 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 pursuant to such provisions of the SFO); or (b) were recorded in the register required to be kept pursuant to 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 of the Listing Rules:

(1) The Company

As at the Latest Practicable Date, 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 executives of the Company or their associates.

(2) *Associated Corporations of the Company*A. *Interests in PCCW*

The table below sets out the aggregate long positions of the Directors and the chief executives of the Company in the shares of PCCW, the ultimate holding company of the Company, as at the Latest Practicable Date:

Name of Director/ chief executive	Number of ordinary shares held				Total	Approximate percentage of the total number of shares of PCCW in issue
	Personal interests	Family interests	Corporate interests	Other interests		
Li Tzar Kai, Richard	-	-	307,694,369 <i>(Note I(a))</i>	1,928,842,224 <i>(Note I(b))</i>	2,236,536,593	28.97%
Lee Chi Hong, Robert	992,600 <i>(Note II(a))</i>	511 <i>(Note II(b))</i>	-	-	993,111	0.01%
Hui Hon Hing, Susanna	5,397,585	-	-	1,367,629 <i>(Note III)</i>	6,765,214	0.09%

Notes:

- I. (a) Of these shares of PCCW, Pacific Century Diversified Limited (“PCD”), a wholly-owned subsidiary of Chiltonlink Limited (“Chiltonlink”), held 269,471,956 shares and Eisner Investments Limited (“Eisner”) held 38,222,413 shares. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner.
- (b) These interests represented:
- (i) a deemed interest in 175,312,270 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 175,312,270 shares of PCCW held by PCGH; and
- (ii) a deemed interest in 1,753,529,954 shares of PCCW held by Pacific Century Regional Developments Limited (“PCRD”), a company in which PCGH had, through itself and certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 88.58% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,753,529,954 shares of PCCW held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 1.06% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly owned by Li Tzar Kai, Richard.

- II. (a) These shares were held jointly by Lee Chi Hong, Robert and his spouse.
- (b) These shares were held by the spouse of Lee Chi Hong, Robert.
- III. These interests represented awards made to Hui Hon Hing, Susanna which were subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.

B. Interests in HKT Trust and HKT Limited

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

Name of Director/ chief executive	Number of Share Stapled Units held				Total	Approximate percentage of the total number of Share Stapled Units in issue
	Personal interests	Family interests	Corporate interests	Other interests		
Li Tzar Kai, Richard	-	-	66,247,614 <i>(Note I(a))</i>	158,764,423 <i>(Note I(b))</i>	225,012,037	2.97%
Lee Chi Hong, Robert	50,924 <i>(Note II(a))</i>	25 <i>(Note II(b))</i>	-	-	50,949	0.0007%
Hui Hon Hing, Susanna	3,049,620	-	-	629,253 <i>(Note III)</i>	3,678,873	0.05%

Each Share Stapled Unit confers an interest in:

- (a) one voting ordinary share of HK\$0.0005 in HKT Limited (“**HKT**”); and
- (b) one voting preference share of HK\$0.0005 in HKT,

for the purposes of Part XV of the SFO, in addition to an interest in one unit in the HKT Trust.

Under the trust deed dated November 7, 2011 constituting the HKT Trust entered into between HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) and HKT as supplemented, amended or substituted from time to time and the amended and restated articles of association of HKT, the number of ordinary shares and preference shares of HKT in issue must be the same at all times and must also, in each case, be equal to the number of units of the HKT Trust in issue; and each of them is equal to the number of Share Stapled Units in issue.

Notes:

- I. (a) Of these Share Stapled Units, PCD held 20,227,614 Share Stapled Units and Eisner held 46,020,000 Share Stapled Units.
- (b) These interests represented:
- (i) a deemed interest in 13,159,619 Share Stapled Units held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 13,159,619 Share Stapled Units held by PCGH; and
- (ii) a deemed interest in 145,604,804 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 145,604,804 Share Stapled Units held by PCRD.
- II. (a) These Share Stapled Units were held jointly by Lee Chi Hong, Robert and his spouse.
- (b) These Share Stapled Units were held by the spouse of Lee Chi Hong, Robert.
- III. These interests represented awards made to Hui Hon Hing, Susanna which were subject to certain vesting conditions pursuant to the relevant award schemes of PCCW and HKT, namely the Purchase Scheme and the HKT Share Stapled Units Purchase Scheme.

C. Interests in PCPD Capital Limited (“PCPD Capital”)

The table below sets out the aggregate long positions in the 4.75% bonds due 2022 (the “**2022 Bonds**”) issued by PCPD Capital, an associated corporation of the Company, held by the Directors and the chief executives of the Company as at the Latest Practicable Date:

Name of Director/ chief executive	Personal interests	Principal amount of the 2022 Bonds held (US\$)			Total
		Family interests	Corporate interests	Other interests	
Li Tzar Kai, Richard	-	-	70,000,000 <i>(Note I)</i>	-	70,000,000
Lee Chi Hong, Robert	2,250,000 <i>(Note II)</i>	-	-	-	2,250,000

Notes:

- I. These 2022 Bonds were held by Ultimate Talent Limited, a wholly-owned subsidiary of Elderfield Limited (“**Elderfield**”). Li Tzar Kai, Richard owned 100% of the issued share capital of Elderfield.
- II. These 2022 Bonds were held jointly by Lee Chi Hong, Robert and his spouse.

D. Interests in Easy Treasure Limited (“Easy Treasure”)

The table below sets out the aggregate long position in the shares issued by Easy Treasure, an associated corporation of the Company, held by the Director as at the Latest Practicable Date:

Name of Director/ chief executive	Number of ordinary shares held				Total	Approximate percentage of the total number of shares of Easy Treasure in issue
	Personal interests	Family interests	Corporate interests	Other interests		
Allan Zeman	-	-	999 (<i>Note</i>)	-	999	9.99%

Note:

These shares were held by Paradise Pinetree Development Limited (“**Paradise**”). Allan Zeman owned 100% of the issued share capital of Paradise.

As at the Latest Practicable Date, the Company had not been notified of any short positions in the shares, Share Stapled Units, underlying shares, underlying Share Stapled Units or debentures of the associated corporations of the Company held by the Directors or the chief executives of the Company or their associates.

(b) Substantial Shareholder’s interests and short positions in Shares and underlying Shares

(1) Interests in the Shares and underlying Shares

As at the Latest Practicable Date, the following person (other than the Directors or the chief executives of the Company) had interests in the Shares and underlying Shares, which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into the register required to be kept pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares/ underlying Shares held
PCCW	Beneficial owner	1,470,155,332 (<i>Note</i>)

Note:

These interests comprised (a) an interest in 285,088,666 Shares held by Asian Motion Limited (“**Asian Motion**”), a wholly-owned subsidiary of PCCW; and (b) an interest in 1,185,066,666 underlying Shares in relation to the bonus convertible notes in the aggregate amount of HK\$592,533,333.20 as held by Asian Motion.

(2) Short Positions in the Shares and underlying Shares

As at the Latest Practicable Date, the Company had not been notified of any person who had short positions in the Shares or underlying Shares to be recorded in the register required, which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other person who had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Group which was not terminable by the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the Director had the following interests in businesses which competed or were likely to compete, either directly or indirectly, with the Group's business:

Name of Director	Name of company	Nature of business	Nature of interests
Li Tzar Kai, Richard	CK Hutchison Holdings Limited (“ CK Hutchison ”) and its subsidiaries	Ports and related services, retail, infrastructure, energy and telecommunications	<i>Note</i>
	CK Asset Holdings Limited (“ CK Asset ”) and its subsidiaries	Property development and investment, hotel and serviced suite operation, property and project management, joint ventures in infrastructure and utility asset operation and aircraft leasing	<i>Note</i>

Note:

Li Tzar Kai, Richard has a personal interest in 75,240 shares in each of CK Hutchison and CK Asset, and is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts which in turn are interested in certain shares of CK Hutchison and CK Asset. Certain businesses of CK Hutchison and CK Asset may compete with certain aspects of the businesses of the Group.

In addition, Li Tzar Kai, Richard is a director of certain private companies (the “**Private Companies**”), which are engaged in property development and investment.

Further, Li Tzar Kai, Richard is a director and chairman of PCRDC. PCRDC is an investment holding company with interests in telecommunications and media (through PCCW), logistics, property and infrastructure investment and development in the Asia Pacific region.

The business interests of the Private Companies in Hong Kong are not significant when compared with the business of the Group and it is unlikely that such business interests will compete with the business of the Group. The business interests in Japan and the Asia Pacific region are also unlikely to compete with the existing business of the Group.

Li Tzar Kai, Richard has a controlling interest in some of the Private Companies. Further, he is or may be regarded as interested in PCRDC and PCGH due to the interests as disclosed under the sub-section headed “Directors’ and chief executives’ interests and short positions in shares, share stapled units, underlying shares, underlying share stapled units and debentures of the Company and its associated corporations” in this appendix.

As PCRDC and the Private Companies are involved in the development and/or investment of properties of different types and/or in different locations, the Group has been operating independently of, and at arm’s length from, the businesses of those companies.

Save as disclosed above, none of the Directors or their associates had an interest in any business, apart from the Group’s businesses, which competes or is likely to compete, either directly or indirectly, with the Group’s businesses as at the Latest Practicable Date.

5. INTERESTS IN THE GROUP’S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the businesses of the Group.

6. LITIGATION

As at the Latest Practicable Date, to the best of the knowledge of the Company, the Group was not engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the Group does not have material contracts (not being contracts entered into in the ordinary course of business) entered into by the members of the Group within the two years immediately preceding the issue of this circular.

8. MISCELLANEOUS

- (a) The secretary of the Company is Mr. Timothy Tsang who is admitted as a legal practitioner in the State of New South Wales, Australia and as a solicitor in Hong Kong.
- (b) The principal place of business of the Company in Hong Kong is at 8th Floor, Cyberport 2, 100 Cyberport Road, Hong Kong.
- (c) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (d) The principal share registrar and transfer agent of the Company is MUFG Fund Services (Bermuda) Limited at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM 08, Bermuda.
- (e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) The bonus convertible note registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (g) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at 8th Floor, Cyberport 2, 100 Cyberport Road, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2015, 2016 and 2017;
- (c) the letter from the Board as set out in this circular; and
- (d) this circular.