Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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, 2018

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, 2018. 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 revenue increased by 54 per cent to approximately HK$165 million
- Consolidated operating loss decreased by 14 per cent to approximately HK$107 million
- Loss attributable to equity holders of the Company amounted to approximately HK$198 million
- Basic loss per share: 12.49 Hong Kong cents
- The Board did not declare an interim dividend

REVIEW OF OPERATIONS

Property investment

Indonesia

Pacific Century Place, our premium Grade A office investment in Jakarta, commenced its full operation at the beginning of the year. Handover to tenants is in progress. The Group generated revenue of approximately HK$59 million for the six months ended June 30, 2018.

Strategically located at Sudirman CBD of Jakarta, the 40-storey building is recognised as a leader in sustainability. Our concept and design have attracted attention from various multinational companies, which include technology giants, leading financial institutions, law firms and large retail groups. The leasing activities resulted in a stable rental income growth during the period under review with an overall reserved or committed rate standing at 78 per cent up to the date of this announcement.

Property development

Japan

The construction of Park Hyatt Niseko Hanazono and Park Hyatt Niseko Hanazono Residences ("Branded Residences") is proceeding as scheduled. They are expected to be completed in the fourth quarter of 2019.

The Branded Residences are well received by investors from different backgrounds. To date, 90 of the total 114 units were sold/ reserved. We expect to put the remaining units on the market in the coming year.

Thailand

In March 2018, the Group entered into a joint venture agreement with Paradise Pinetree Development Limited, a company wholly-owned by Dr Allan Zeman, for the development of the first phase of our project in Phang Nga, southern Thailand. We expect the whole project, after completion, to comprise hotels, condominiums and villas.

Hong Kong

In March 2018, the Group completed the acquisition of the equity interest of the target group holding the properties at 3-6 Glenealy, Central, for a cash consideration of HK$2,164 million and the allotment and issue of the non-voting participating share. The site is intended to be redeveloped into a luxury residence.

United Kingdom

In November 2017, the Group was approached by Enfield Council to re-engage as the preferred development partner of the Meridian Water Regeneration Project (the "Project") in Enfield, London, United Kingdom. Despite the tremendous efforts the Group made to meet the expectations of the Enfield Council in the past few months, substantial differences remain. In July 2018, the Group withdrew from the Project.

Recreation and leisure

Japan

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

The Group's revenue from its all-season recreational activities amounted to approximately HK$75 million for the six months ended June 30, 2018, as compared to approximately HK$69 million for the corresponding period in 2017. The recreational operation in Japan is seasonal as over 72 per cent revenue is reported in the first half of the year. For the twelve months ended June 30, 2018, the recreational operation reported revenue of HK$102 million comparing to the same twelve months ended June 30, 2017 of HK$96 million.

Property and facilities management

Hong Kong

The Group provides professional property management and facilities management services to its clients in Hong Kong and generated revenue of approximately HK$14 million for the six months ended June 30, 2018, as compared to approximately HK$14 million for the corresponding period in 2017.

Other businesses

Other businesses of the Group mainly include property management in Japan, property investment in Hong Kong and asset management in Mainland China. The revenue from these other businesses amounted to approximately HK$17 million for the six months ended June 30, 2018, as compared to approximately HK$24 million for the corresponding period in 2017. The decrease in revenue was mainly due to the end of the asset management business in Mainland China at the end of December 2017.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Note	**For the six months ended June 30, 2018** (Unaudited)	2017 (Restated) (Unaudited)
Revenue	3	**165**	107
Cost of sales		**(27)**	(25)
Gross profit		**138**	82
General and administrative expenses		**(254)**	(215)
Other income		**4**	8
Other gains, net		**1**	—
Surplus on revaluation of investment properties		**4**	—
Operating loss		**(107)**	(125)
Interest income		**24**	23
Finance costs		**(102)**	(39)
Loss before taxation	4	**(185)**	(141)
Income tax	5	**(13)**	(7)
Loss attributable to equity holders of the Company		**(198)**	(148)
Other comprehensive (loss)/income:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences:			
Exchange differences on translating foreign operations		**(133)**	100
Total comprehensive loss		**(331)**	(48)
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	7	**(12.49) cents**	(9.33) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	Note	**As at June 30, 2018** **(Unaudited)**	As at December 31, 2017 (Restated) (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	8	**3,707**	3,822
Property, plant and equipment		**710**	579
Properties under development		**642**	612
Properties held for development	9	**2,784**	598
Goodwill		**5**	3
Prepayments and other receivables		**351**	311
		8,199	5,925
Current assets			
Sales proceeds held in stakeholders' accounts		**507**	508
Restricted cash		**97**	98
Trade receivables, net	10	**27**	14
Prepayments, deposits and other current assets		**266**	110
Amounts due from fellow subsidiaries		**1**	—
Amounts due from related companies		**4**	6
Financial assets at fair value through profit or loss		**4**	81
Short-term deposits		**4**	1,019
Cash and cash equivalents		**2,005**	2,633
		2,915	4,469

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

HK$ million	Note	**As at June 30, 2018 (Unaudited)**	As at December 31, 2017 (Restated) (Audited)
Current liabilities			
Current portion of long-term borrowings		**4**	—
Trade payables	11	**7**	23
Accruals and other payables		**396**	442
Contract liabilities		**225**	118
Lease liabilities		**22**	22
Amounts due to fellow subsidiaries		**2**	—
Amount payable to the HKSAR Government under the Cyberport Project Agreement		**321**	321
Current income tax liabilities		**5**	6
		982	932
Net current assets		**1,933**	3,537
Total assets less current liabilities		**10,132**	9,462
Non-current liabilities			
Long-term borrowings		**5,327**	4,473
Other payables		**169**	206
Contract liabilities		**109**	74
Lease liabilities		**37**	23
Deferred income tax liabilities		**27**	25
		5,669	4,801
Net assets		**4,463**	4,661
CAPITAL AND RESERVES			
Issued equity		**2,847**	2,847
Reserves		**1,483**	1,814
Capital and reserves attributable to the owners of the Company		**4,330**	4,661
Non-controlling interests		**133**	—
		4,463	4,661

Notes:

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, 2017, 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, 2017.

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, 2017, except for the adoption or early adoption of new/revised HKFRS and HKAS.

a. Adoption of new/revised accounting standards

The Group has adopted the following new/revised accounting standards which are relevant to the Group's operations and are mandatory for the six-month period ended June 30, 2018:

HKAS 40 (Amendment)	Transfers of Investment Property
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of HKAS 40 (Amendment), HKFRS 2 (Amendment) and HK(IFRIC) – Int 22 had no material effect on the Group's accounting policies.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 and HKFRS 15 (Amendment) apply to all revenue arising from contracts with customers, unless those contracts are in the scope of other HKFRS. HKFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and the revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferred goods or services to customers. HKFRS 15 requires the Group to exercise judgement, taking into consideration of all the relevant facts and circumstances when applying each step of the model to contract with their customers. HKFRS 15 also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

In prior reporting periods, the Group accounted for sales of properties when significant risks and rewards of ownership of properties have been transferred to the customers.

1. **Basis of Preparation and Accounting Policies – Continued**

   a. **Adoption of new/revised accounting standards - Continued**

<u>HKFRS 15 "Revenue from Contracts with Customers" – Continued</u>

Under HKFRS 15, revenue from pre-sales of properties is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the properties under development may transfer over time or at a point in time. If properties have no alternative use to the Group contractually and the Group has an enforceable right to payment from the customers for performance completed to date, the Group satisfies the performance obligation over time and therefore, recognises revenue over time in accordance with the input method for measuring progress. Otherwise, revenue is recognised at a point in time when the customer obtains control of the completed property, which is typically when the property is legally or physically transferred to the customer.

The excess of the cumulative revenue recognised in profit or loss over the cumulative payments made by customers is recognised as contract assets. A contract asset becomes a receivable when the receipt of the consideration is conditional only on the passage of time.

The excess of cumulative payments made by customers over the cumulative revenue recognised in profit or loss is recognised as contract liabilities.

The effect on the adoption of HKFRS 15 is set out in Note 2.

<u>HKFRS 9 "Financial Instruments"</u>

HKFRS 9 requires the Group to record an allowance for forward-looking expected credit loss for all loans and other debt financial assets not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. For trade and other receivables, the Group is required to revise its impairment methodology under HKFRS 9 for these receivables.

The Group has applied the standard's simplified approach by measuring the expected credit loss at an amount equal to lifetime expected credit losses. The Group uses a provision matrix that is based on the Group's historical credit loss experience which is adjusted for forward-looking factors specific to the debtors and the economic environment.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards or in the absence of transitional provisions and have been retroactively applied in accordance with the requirements of HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

   b. **Early adoption of HKFRS 16 "Leases"**

HKFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The Group has elected to early adopt HKFRS 16 for the six-month period ended June 30, 2018, as management believes the new accounting standard provides more reliable and relevant information for users. On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. Lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payments that are based on an index or a rate.

1. Basis of Preparation and Accounting Policies – Continued

b. Early adoption of HKFRS 16 “Leases” - Continued

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the condensed consolidated statement of financial position.

Each lease payment is allocated between the principal repayment of lease liability and finance cost. The finance cost is charged to the condensed consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The effect on the early adoption of HKFRS 16 is set out in Note 2.

c. Standards, amendments to standards and interpretations which are not yet effective

HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
HKFRS 17	Insurance Contracts[3]
HK (IFRIC) 23	Uncertainty over Income Tax Treatments[2]

Note:

[1] To be announced

[2] Effective for annual periods beginning on or after January 1, 2019

[3] Effective for annual periods beginning on or after January 1, 2021

The Group does not expect the adoption of the above standards that are not yet effective will have a material impact on the Group’s future reporting periods and foreseeable future transactions.

2. Impact on Adoption of New Accounting Standards

a. HKFRS 15 "Revenue from Contracts with Customers"

The Group has adopted HKFRS 15 "Revenue from Contracts with Customers" from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in these unaudited condensed consolidated financial information. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively and has restated comparative numbers for the 2017 financial year. In summary, the deposits received from pre-sale of properties of HK$69 million together with the rental and other revenue receipt in advance of HK$123 million under HKAS 18 "Revenue" were reclassified to contract liabilities in the condensed consolidated statement of financial position at the date of initial application (January 1, 2018).

The adoption of HKFRS 15 has no impact to the condensed consolidated statement of comprehensive income and the condensed consolidated statement of cash flows.

b. HKFRS 16 "Leases"

The Group has early adopted HKFRS 16 "Leases" from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in these unaudited condensed consolidated financial information. In accordance with the transition provisions in HKFRS 16, the Group has adopted the new rules retrospectively and has restated comparative numbers for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the condensed consolidated statement of comprehensive income and the condensed consolidated statement of financial position at the date of initial application (January 1, 2018):

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended June 30,	
HK$ million	**2018**	2017
(Decrease)/increase in comprehensive loss:		
Decrease in rental expenses	**(19)**	(19)
Increase in depreciation	**19**	19
Increase in finance costs	**1**	—
Total increase in loss attributable to equity holders of the Company	**1**	—
Increase in loss per share (expressed in Hong Kong cents per share)		
Basic and Diluted	**0.05**	—

Condensed Consolidated Statement of Financial Position

HK$ million	**As at June 30, 2018**	As at December 31, 2017
Increase in right-of-use assets (included in property, plant and equipment)	**58**	45
Increase in lease liabilities – current	**22**	22
Increase in lease liabilities – non-current	**37**	23
Decrease in retained earnings	**1**	0.2

3. Revenue and Segment Information

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

	Revenue (note a)						Results		Other information	
HK$ million	Revenue from external customers		Inter-segment revenue		Reportable segment revenue		Segment results before taxation		Additions to non-current segment assets	
For the six months ended June 30,	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017 (Restated)	**2018**	2017
All-season recreational activities in Japan	**75**	69	**—**	—	**75**	69	**17**	18	**2**	3
Property investment in Indonesia	**59**	—	**—**	—	**59**	—	**23**	(28)	**40**	424
Property development in Thailand	**—**	—	**—**	—	**—**	—	**(5)**	(2)	**13**	2
Property development in Japan	**—**	—	**—**	—	**—**	—	**(20)**	(15)	**132**	68
Property and facilities management in Hong Kong	**14**	14	**—**	—	**14**	14	**4**	4	**—**	—
Property development in Hong Kong	**—**	—	**—**	—	**—**	—	(3)	—	**2,172**	—
Property management in Japan	**15**	14	**—**	—	**15**	14	**4**	4	**—**	—
Other businesses (note b)	**2**	10	**1**	1	**3**	11	**5**	1	**—**	—
Elimination	**—**	—	**(1)**	(1)	**(1)**	(1)	**—**	—	**—**	—
Total of reported segments	**165**	107	**—**	—	**165**	107	**25**	(18)	**2, 359**	497
Unallocated	**—**	—	**—**	—	**—**	—	**(210)**	(123)	**4**	1
Consolidated	**165**	107	**—**	—	**165**	107	**(185)**	(141)	**2,363**	498

a. The timing of revenue recognition for the segments is all over time for both six months ended June 30, 2018 and June 30, 2017.

b. Revenue from segment below the quantitative thresholds under HKFRS 8 "Operating Segments" is mainly attributable to property investment in Hong Kong. This segment has never met any of the quantitative thresholds for determining reportable segments.

3. Revenue and Segment Information - Continued

HK$ million	Assets		Liabilities	
As at	**June 30, 2018**	December 31, 2017 (Restated)	**June 30, 2018**	December 31, 2017 (Restated)
All-season recreational activities in Japan	**169**	144	**18**	27
Property investment in Indonesia	**4,165**	4,380	**481**	489
Property development in Thailand	**625**	605	**12**	10
Property development in Japan	**1,239**	1,043	**265**	147
Property and facilities management in Hong Kong	**17**	20	**1**	3
Property development in Hong Kong	**2,156**	—	**806**	—
Property management in Japan	**29**	27	**7**	6
Other businesses (note c)	**72**	75	**8**	11
Total of reported segments	**8,472**	6,294	**1,598**	693
Unallocated	**2,642**	4,100	**5,053**	5,040
Consolidated	**11,114**	10,394	**6,651**	5,733

c. Revenue from segments below the quantitative thresholds under HKFRS 8 "Operating Segments" is mainly attributable to property investment in Hong Kong. This segment has never met any of the quantitative thresholds for determining reportable segments.

4. Loss Before Taxation

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

HK$ million	For the six months ended June 30, **2018**	2017 (Restated)
Crediting:		
Gross rental income from investment properties	**60**	1
Other rental income	—	6
Less: outgoings	**(5)**	(3)
Charging:		
Depreciation	**33**	28
Staff costs, included in:		
- cost of sales	**14**	13
- general and administrative expenses	**79**	85
Contributions to defined contribution retirement schemes included in general and administrative expenses	**3**	2
Share-based compensation expenses	**5**	3
Auditor's remuneration		
- audit services	**2**	2
Net foreign exchange loss	**9**	3

5. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2017: 16.5 per cent) on the estimated assessable profits for the period.

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

HK$ million	For the six months ended June 30, **2018**	2017 (Restated)
Current income tax		
Hong Kong profits tax	**2**	1
Income tax outside Hong Kong	**9**	5
Deferred income tax		
Other origination and reversal of temporary differences	**2**	1
	13	7

6. Dividend

HK$ million	For the six months ended June 30, **2018**	2017
Interim dividend	**—**	—

7. Loss per Share

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

	For the six months ended June 30, **2018**	2017 (Restated)
Loss (HK$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	**(198)**	(148)

	For the six months ended June 30, **2018**	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	**1,587,576,022**	1,587,576,022

Pursuant to the terms of the applicable deed poll, the bonus convertible notes confer upon the holders the same economic interests attached to the bonus shares. The aggregated amount of HK$592,553,354.40 (June 30, 2017: HK$592,553,354.40) outstanding bonus convertible notes which could be converted into 1,185,106,708 (June 30, 2017: 1,185,106,708) fully paid ordinary shares of HK$0.50 each is included in the weighted average number of ordinary shares for calculating the basic loss per share for the six months ended June 30, 2018 and June 30, 2017.

8. Investment Properties

The movements of investment properties during the first six-month period are stated as below.

HK$ million	**2018**	2017
At January 1,	**3,822**	3,266
Additions	**33**	424
Surplus on revaluation of investment properties	**4**	—
Exchange differences	**(152)**	57
At June 30,	**3,707**	3,747

9. Properties Held For Development

Properties held for development represent freehold land in Thailand and a property in Hong Kong.

The land in Thailand is held by the Group through a long-term operating lease agreement with the legal owners, 39 per cent owned entities, established to hold the land, whose financial statements have been consolidated into these unaudited condensed consolidated financial information with the carrying amount of HK$612 million (December 31, 2017: HK$598 million).

The Group completed the acquisition of the property located at Nos. 3-6 Glenealy, Central, Hong Kong in March 2018. The consideration composed of (i) an initial cash consideration of HK$2,018 million and an adjustment to initial cash consideration of HK$146 million; and (ii) the allotment and issuance of one non-voting participating share of the Company's wholly-owned subsidiary to the seller which enables the seller the right to 50 per cent of the dividend distributions. The fair value of the non-voting participating share is approximately HK$133 million and is recognised as non-controlling interests in the condensed consolidated statement of financial position as at June 30, 2018. As at June 30, 2018, the carrying amount of HK$2,172 million was recorded as property held for development in the condensed consolidated statement of financial position.

10. Trade Receivables, net

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

HK$ million	**As at June 30, 2018**	As at December 31, 2017
1 – 30 days	**24**	12
31 – 90 days	**2**	2
Over 90 days	**1**	—
	27	14

Trade receivables have a normal credit period which ranges up to 30 days from the date of the invoice unless there is separate mutual agreement on extension of the credit period.

11. Trade Payables

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

HK$ million	**As at June 30, 2018**	As at December 31, 2017
1 – 30 days	**6**	23
Over 120 days	**1**	—
	7	23

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately HK$165 million for the six months ended June 30, 2018, representing an increase of approximately 54 per cent from approximately HK$107 million for the corresponding period in 2017. The increase was mainly due to the full operation of the premium Grade A office building in Indonesia.

The consolidated gross profit for the six months ended June 30, 2018 was approximately HK$138 million, representing an increase of approximately 68 per cent from approximately HK$82 million for the corresponding period in 2017. The gross profit margin for the six months ended June 30, 2018 was 84 per cent as compared to 77 per cent for the corresponding period in 2017.

The general and administrative expenses were approximately HK$254 million for the six months ended June 30, 2018, representing an increase of 18 per cent from approximately HK$215 million for the corresponding period in 2017. The increase was mainly due to more building management costs and professional fees spent for the operation of the premium Grade A office building in Jakarta and more marketing expenses and professional fees in property development projects.

The consolidated operating loss for the six months ended June 30, 2018 decreased to approximately HK$107 million, as compared to approximately HK$125 million for the corresponding period in 2017 mainly due to commencement of operating profit generated from the premium Grade A office building in Jakarta.

The Group recorded higher finance costs of HK$102 million for the six months ended June 30, 2018 comparing to approximately HK$39 million for the same period in 2017 due to the decrease in qualified assets which resulted in less borrowing costs capitalised. The consolidated net loss after taxation of approximately HK$198 million for the six months ended June 30, 2018 was reported, as compared to approximately HK$148 million for the corresponding period in 2017. Basic loss per share during the period under review was 12.49 Hong Kong cents, as compared to basic loss per share of 9.33 Hong Kong cents for the corresponding period in 2017.

Current assets and liabilities

As at June 30, 2018, the Group held current assets of approximately HK$2,915 million (December 31, 2017: HK$4,469 million), mainly comprising cash and bank balances, sales proceeds held in stakeholders' accounts, restricted cash and prepayments, deposits and other current assets. The decrease in current assets is mainly attributable to the cash used to acquire a property in Hong Kong with cash payment of approximately HK$2,164 million. Sales proceeds held in stakeholders' accounts amounted to approximately HK$507 million as at June 30, 2018 (December 31, 2017: HK$508 million). The level of restricted cash has decreased to approximately HK$97 million as at June 30, 2018 from approximately HK$98 million as at December 31, 2017. As at June 30, 2018, the current ratio was 2.97 (December 31, 2017: 4.80).

As at June 30, 2018, the Group's total current liabilities amounted to approximately HK$982 million, as compared to approximately HK$932 million as at December 31, 2017. The increase was mainly due to the receipt of deposits received from pre-sale of properties but offset by the decrease in trade payables and accruals and other payables.

Capital structure, liquidity and financial resources

As at June 30, 2018, the Group's borrowings amounted to approximately HK$5,331 million (December 31, 2017: HK$4,473 million). The current reporting period balance represented the amortised cost of financial liabilities in respect of the guaranteed notes of US$570 million issued (equivalent to approximately HK$4,445 million), the drawdown of the principal amount of Japanese Yen ("JPY") 1,242 million under the term loan facility of JPY 1,500 million (equivalent to approximately HK$89 million) together with the HK$808 million drawdown under the Hong Kong dollar loan facility.

On March 9, 2017, PCPD Capital Limited ("PCPD Capital"), an indirect wholly-owned subsidiary of the Company issued US$570 million 4.75 per cent guaranteed notes ("Notes") due 2022, which are listed on the Singapore Exchange Securities Trading Limited. The Notes are irrevocably and unconditionally guaranteed by the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of PCPD Capital and the Company.

On June 9, 2017, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement under which the lender had agreed to make available a term loan facility up to an aggregate amount of JPY1,500 million ("JPY Facility 2028") by December 2018. The maturity date of the JPY Facility is in December 2028. Such facility is secured by the land and buildings and a bank account of the indirect wholly-owned subsidiary and the indirect wholly-owned subsidiary is subject to certain financial covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2018, none of the covenants were breached. As at June 30, 2018, JPY1,242 million (December 31, 2017: JPY785 million) has been drawn down. As at June 30, 2018, the carrying value of the borrowing represents the loan drawdown of JPY1,242 million (December 31, 2017: JPY785 million) offset by the deferred loan arrangement costs of JPY44 million (December 31, 2017: JPY46 million) .

On March 19, 2018, an indirect non-wholly owned subsidiary of the Company entered into a loan agreement under which the lender had agreed to make available a loan facility up to an aggregate amount of HK$808 million ("HK$ Loan"). The maturity date of the HK$ Loan is in March 2020. Such facility is secured by the land and buildings, bank accounts, shares and other assets of the indirect non-wholly owned subsidiaries and the indirect non-wholly owned subsidiary is subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2018, none of the covenants were breached and the carrying value of the borrowing represents the loan drawdown of HK$808 million offset by the deferred loan arrangement costs of HK$7 million.

On March 29, 2018, an indirect wholly-owned subsidiary of the Company (the "Borrower") entered into a term loan facility agreement under which the lender agreed to make available term loan facilities up to an aggregate amount of JPY20,000 million by December 31, 2019. The facility comprises (1) a JPY10,000 million facility for the construction of a branded residence ("JPY Facility 2021") which matures on February 14, 2020 with option to extend to March 31, 2021 and (2) a JPY10,000 million facility for the construction of a branded hotel ("JPY Facility 2023") with maturity date of March 31, 2023. Such facilities are secured by certain land and/or property in case either one of the loans is in default, the reserve accounts, and ordinary and/or preferred shares of the Borrower and an indirect wholly-owned subsidiary (the "Hotel Operator"). The Borrower and the Hotel Operator are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. Both JPY Facility 2021 and JPY Facility 2023 will be available for drawdown upon fulfilment of certain conditions precedent which have not yet been fulfilled as of June 30, 2018.

As at June 30, 2018, the net debt-to-equity ratio was 75.3 per cent (as at December 31, 2017: 18.4 per cent). The net debt is calculated from the principal face amount of borrowings of HK$5,370 million less the aggregate of cash and cash equivalents and short-term deposits of HK$2,009 million.

The Group's borrowings were denominated in US dollars, Hong Kong dollars, and Japanese Yen while the cash and bank deposits were held mainly in US dollars and Hong Kong dollars. The Group has foreign operations, and certain of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. As at June 30, 2018, the assets of the Group in Indonesia, Thailand and Japan represented approximately 37 per cent, 6 per cent and 13 per cent of the Group's total assets respectively. The Group's currency exposure with respect to these operations is subject to fluctuations in the exchange rates of Indonesian Rupiah, Thai Baht and Japanese Yen.

Cash used in operating activities in the six months ended June 30, 2018 was approximately HK$2,225 million, compared to cash used in operating activities in the amount of approximately HK$64 million for the corresponding period in 2017 as the Group acquired a property for redevelopment in Hong Kong with cash payment of HK$2,164 million in March 2018.

Income tax

The Group's income tax for the six months ended June 30, 2018 were approximately HK$13 million, as compared to approximately HK$7 million for the corresponding period in 2017. The increase is mainly due to tax charge on revenue earned by the premium Grade A office building in Jakarta.

Security on assets

As at June 30, 2018, certain assets of the Group with an aggregated carrying value of approximately HK$2,333 million were mortgaged and pledged to the bank as security for the loan facility.

Contingent liabilities

During the six months ended June 30, 2018, the Company's indirect wholly-owned subsidiary (the "Taxpayer") in Indonesia 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 IDR 183,834.4 million (approximately HK$102 million).

Such Land VAT has 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 a tax re-audit which was performed by the ITO during the period under reporting, the ITO issued an assessment notice stating that the Land VAT is non-creditable resulting a tax underpayment of IDR 183,834.4 million (approximately HK$102 million) and a penalty of IDR 183,834.4 million (approximately HK$102 million). According to the tax assessment notice, the Taxpayer is required to pay the tax underpayment and penalty totalling IDR 367,668.8 million (approximately HK$204 million). After consideration of professional advice obtained, the Group is of the view that the ITO has no basis to re-perform the 2018 Assessment and will file an objection to the ITO against the tax assessment. No provision for the tax underpayment and penalty has been made in the unaudited condensed consolidated financial information and as at June 30, 2018, Land VAT with carrying value of HK$102 million was included in the prepayments and other receivables under non-current assets.

During the six months ended June 30, 2018, the Taxpayer received tax assessment letters from the ITO in dispute of the applicable withholding tax rate that was applied on 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 IDR 8,094 million (approximately HK$5 million) and IDR 14,071 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 have been paid in advance in June 2018 and included in "Prepayment, deposits and other current assets" in the condensed consolidated statement of financial position.

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2018, the Group employed 615 staff in Hong Kong and overseas. The remuneration policies of the Group are in line with prevailing industry practices. Bonuses are paid on a discretionary basis taking into account factors such as performance of individual employees and the Group's performance as a whole. The Group provides comprehensive employee benefits, including medical insurance, a choice of provident fund or mandatory provident fund as well as training programs. The Group is also a participating member of the PCCW employee share incentive award schemes.

The Company operates a share option scheme which was adopted by the Company's shareholders at the Company's annual general meeting held on May 6, 2015, and became effective on May 7, 2015 following its approval by PCCW's shareholders ("2015 Scheme"). The 2015 Scheme is valid and effective for a period of 10 years commencing on May 7, 2015. Under the 2015 Scheme, the Board shall be entitled to offer to grant a share option to any eligible participant whom the Board may, at its absolute discretion, select.

DIVIDENDS AND DISTRIBUTION

The Board did not declare an interim dividend to shareholders nor an interim distribution to bonus convertible noteholders for the six months ended June 30, 2018 (2017: Nil).

The Board did not recommend the payment of a final dividend for the year ended December 31, 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2018, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group or any of its subsidiaries of the interim financial information for the six months ended June 30, 2018 and has held one meeting during the period under review.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business and to ensure that its affairs are conducted in accordance with applicable laws and regulations.

The Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months period ended June 30, 2018 except for the code provision E.1.2 as the Chairman of the Board was unable to attend the Company's annual general meeting held on May 9, 2018 due to an urgent business trip. Prof Wong Yu Chim, Richard, an Independent Non-Executive Director, chaired the annual general meeting pursuant to the Company's bye-laws and was available to answer questions.

OUTLOOK

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. We anticipate the global economy to continue a broad-based growth.

PCP, Jakarta, is expected to bring stable recurring income to the Group in 2018. We expect 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, we believe that the demand for luxury options will remain resilient. Construction of Park Hyatt Niseko Hanazono and Branded Residences is progressing as scheduled. The Group will gear up and launch the remaining units of Park Hyatt Niseko Hanazono Residences in the coming year.

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. We expect it to serve as a gateway and boost another wave of tourism in the area.

The management will continue to seek potential projects around the world, including Hong Kong, Southeast Asia and London.

By order of the Board
Pacific Century Premium Developments Limited
Tsang Sai Chung
Company Secretary

Hong Kong, August 3, 2018

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

Executive Directors:
Li Tzar Kai, Richard (Chairman); Lee Chi Hong, Robert (Deputy Chairman and Chief Executive Officer); James Chan; and 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; and Dr Vince Feng

** For identification only*