



Pacific Century  
Premium Developments  
盈科大衍地產發展

STOCK CODE: 00432

INTERIM REPORT 2017



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# STATEMENT FROM THE CHAIRMAN

PCPD HAS SUCCESSFULLY RAISED US\$570 MILLION FROM THE ISSUE OF CORPORATE BONDS IN MARCH THIS YEAR.



## STATEMENT FROM THE CHAIRMAN

The US Federal Reserve raised interest rates on June 14, 2017 for the second time in three months, and indicated that it would begin to reduce its holdings of bonds and other securities this year, signalling its confidence in a growing US economy and strengthening job market. However, market volatility is probable because of the geopolitical tensions in Northeast Asia and the Middle East, coupled with the uncertainties generated by the negotiations between the UK and European Union on Brexit.

Further interest rate hikes may accelerate capital flowing back to the US, and may pose economic threats to the emerging markets. However, global growth is also accelerating and this would help to stabilize emerging markets overall. Before the recent US interest rate hike, PCPD has successfully raised US\$570 million from the issue of corporate bonds in March this year. The Group will carefully consider new project acquisitions by using part of net proceeds for sustainable growth and profitability.

Premium-grade properties overseas are attractive to global investors who pursue potential capital growth and stable rental returns. PCPD intends to launch Park Hyatt Niseko Hanazono Residences of Hokkaido in coming months. We are confident that this unique and distinguished branded residence development will be well received by potential buyers.

Moreover, Pacific Century Place Jakarta in Indonesia is at its final stage of development, with the majority of works substantially completed in May 2017. While the Group's property management team will take over the building in November this year, I am pleased to report that, in a highly competitive market, approximately 40% of office spaces of this building are being secured by renowned tenants, with several other major tenants in active consideration and discussion. This project will generate stable and recurring income to the Group over the coming financial years.

Meanwhile, preparation for the project in Phang-nga, southern Thailand is forging ahead as scheduled.



**Richard Li**

*Chairman*

August 8, 2017

# STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

THE CONSTRUCTION OF PACIFIC  
CENTURY PLACE JAKARTA IS AT ITS  
FINAL STAGE.



# STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

The Group recorded a consolidated revenue of approximately HK\$107 million for the six months ended June 30, 2017, as compared to approximately HK\$115 million for the first six months of 2016. The consolidated operating loss of the Group for the period under review amounted to approximately HK\$125 million, as compared to an operating loss of approximately HK\$186 million for the first half of 2016. The Group's consolidated loss attributable to equity holders of the Company for the first six months of 2017 totalled HK\$148 million, as compared to a net loss of approximately HK\$184 million for the corresponding period last year. The basic loss per share for the six months ended June 30, 2017 was approximately 9.33 HK cents, as compared to a loss per share of approximately 11.62 HK cents for the same period in the year before.

The Board of Directors did not declare an interim dividend for the first half of 2017.

To enhance its financial flexibility, PCPD issued US\$570 million, 4.75 per cent bonds due 2022 in early March this year. The Group prepaid the loan facility of US\$60 million which will expire by the end of this year. The bond proceeds will be used primarily for general corporate purposes, including the development of the hotel Park Hyatt Niseko Hanazono and the Park Hyatt Niseko Hanazono Residences, the upgrade of the ski field facilities in Niseko, Hokkaido, Japan and other potential investments in Hong Kong and elsewhere in the world.

The construction of Pacific Century Place Jakarta is at its final stage. Subsequent to statutory inspection for permission of occupation on May 17, 2017, formal approval is expected to be obtained in the third quarter of 2017. Final testing and commissioning of building services, making good works and additional works to meet building management and tenants' requests are well underway for formal occupation from the last quarter of 2017 onwards. The F&B facilities and fitness club on the podium of the building are scheduled to commence their fit-out works in the third quarter of 2017.

In addition to Citibank Indonesia, Sotheby's Hong Kong Limited, FWD and The NorthStar Group, Garena and Shopee, Singapore-based Internet and mobile platform group companies, have signed up for six floors of the building in the second quarter of 2017 and another world-class IT company has committed to taking up the top floor of the building. While approximately 40% of the office spaces of this building are being taken up by renowned tenants, we are negotiating with several potential tenants who have shown immense interests and we believe more floors will be taken up.

As for the project in Hokkaido, Japan, the hotel Park Hyatt Niseko Hanazono and the Park Hyatt Niseko Hanazono Residences are scheduled for completion in late 2019. The construction works have commenced in April 2017. In addition, we held a pre-launch reception in Hong Kong to introduce this project in March this year, and received very positive responses from the potential buyers.

Our project in Phang-nga, Thailand is also proceeding, as we are in early discussion with a local developer of the first phase of the project.

The Group is actively looking for potential investment opportunities in residential projects around the world, including those in Hong Kong, Southeast Asia and London. We are assessing the potential of these projects carefully.



**Robert Lee**

*Deputy Chairman and Chief Executive Officer*

August 8, 2017

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis of the unaudited consolidated financial results and operations relating to the business of Pacific Century Premium Developments Limited ("Company") and its subsidiaries (together with the Company, "Group") for the six months ended June 30, 2017 is set out below.

## REVIEW OF OPERATIONS

### *Property investment and development*

#### *Property investment in Indonesia*

Pacific Century Place Jakarta has entered the final stage of its construction. The Group expects to obtain the occupation permit in the third quarter of 2017. Final testing and improvement works are underway to meet our tenants' needs and expectations. Besides, the premium office building will also comprise food and beverage facilities and a fitness club at the podium, with renovation works commencing in the third quarter of 2017.

In addition to Citibank Indonesia, Sotheby's Hong Kong Limited, FWD and The NorthStar Group, Garena and Shopee, Singapore-based Internet and mobile platform group companies, will take up six floors of the building and another tenant, a major US multinational technology company, has committed to occupy the office space on the top. To date, approximately 40 per cent of office space is being committed by world-renowned tenants. Meanwhile, the Group is in discussion with several potential tenants and the tenant profile includes international bank, law firm, technology/TMT companies, asset management firm and insurance company. Majority of the leases will begin from January 1, 2018.

#### *Property development in Japan*

The ground-breaking ceremony for the 100-room hotel Park Hyatt Niseko Hanazono and the 114 branded residences was held in June 2017, with an expected completion date for the development in late 2019. The Group expects to launch the Park Hyatt Niseko Hanazono Residences in several phases over the next two to three years. A small selection of units was offered at an internal sale at the end of March 2017 and all the units introduced were taken up. We are planning to have a formal launch of a further selection of units in Asia during the second half of 2017.

#### *Property development in Thailand*

The preparation of the project in Phang-nga, southern Thailand is continuing. The Group is in early discussion with a local developer in the development of first phase of the project.

### *Recreation and leisure*

#### *All-season recreational activities in Japan*

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

The Group's revenue from its all-season recreational activities amounted to approximately HK\$69 million for the six months ended June 30, 2017, as compared to approximately HK\$65 million for the corresponding period in 2016. The recreational operation in Japan is seasonal as over 70 per cent revenue is reported in the first half of the year. For the twelve months ended June 30, 2017, the recreational operation reported revenue of HK\$96 million comparing to the same twelve months ended June 30, 2016 of HK\$91 million.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## *Property management related services*

### *Property management and facilities management in Hong Kong*

The Group provides professional property management and facilities management services to its clients in Hong Kong and generated revenue of approximately HK\$14 million for the six months ended June 30, 2017, as compared to approximately HK\$27 million for the corresponding period in 2016.

### *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\$24 million for the six months ended June 30, 2017, as compared to approximately HK\$23 million for the corresponding period in 2016.

## FINANCIAL REVIEW

### *Review of results*

The consolidated revenue of the Group was approximately HK\$107 million for the six months ended June 30, 2017, representing a decrease of approximately 7 per cent from approximately HK\$115 million for the corresponding period in 2016. The decrease was mainly due to the change of contracting model in relation to the provision of facilities management services that contractors are directly engaged by the customer and no contractor cost was chargeable to the customer by the Group starting 2017.

The consolidated gross profit for the six months ended June 30, 2017 was approximately HK\$82 million, representing an increase of approximately 5 per cent from approximately HK\$78 million for the corresponding period in 2016. The gross profit margin for the six months ended June 30, 2017 was 77 per cent as compared to 68 per cent for the corresponding period in 2016.

The general and administrative expenses were approximately HK\$215 million for the six months ended June 30, 2017, representing an increase of 3 per cent from approximately HK\$208 million for the corresponding period in 2016.

The consolidated operating loss for the six months ended June 30, 2017 decreased to approximately HK\$125 million, as compared to approximately HK\$186 million for the corresponding period in 2016. Such decrease was mainly due to the one-off fair value loss of the call spread option recognised in the first half of 2016.

As a result of the above, the Group recorded a consolidated net loss after taxation of approximately HK\$148 million for the six months ended June 30, 2017, as compared to approximately HK\$184 million for the corresponding period in 2016. Basic loss per share during the period under review was 9.33 Hong Kong cents, as compared to basic loss per share of 11.62 Hong Kong cents for the corresponding period in 2016.

### *Current assets and liabilities*

As at June 30, 2017, the Group held current assets of approximately HK\$5,102 million (December 31, 2016: HK\$1,663 million), mainly comprising cash and bank balances, sales proceeds held in stakeholders' accounts, restricted cash and prepayments, deposits and other current assets. The increase in current assets is mainly attributable to the cash and bank balances including cash and cash equivalents and short-term deposits which increased from approximately HK\$871 million as at December 31, 2016 to approximately HK\$4,295 million as at June 30, 2017 due to the issue of US\$570 million guaranteed notes net off by the repayment of bank borrowings of US\$60 million. Sales proceeds held in stakeholders' accounts amounted to approximately HK\$509 million as at June 30, 2017 (December 31, 2016: HK\$510 million). The level of restricted cash has decreased to approximately HK\$94 million as at June 30, 2017 from approximately HK\$103 million as at December 31, 2016 as approximately HK\$8 million parked in



# MANAGEMENT'S DISCUSSION AND ANALYSIS

the interest reserve account pledged for the loan drawdown has been released during the reporting period. As at June 30, 2017, the current ratio was 6.59 (December 31, 2016: 1.51).

As at June 30, 2017, the Group's total current liabilities amounted to approximately HK\$774 million, as compared to approximately HK\$1,102 million as at December 31, 2016. The decrease was mainly due to the repayment of bank borrowings offset by the receipts of deposits from pre-sale of properties and deferred rental income during the reporting period.

## *Capital structure, liquidity and financial resources*

As at June 30, 2017, the Group's borrowings amounted to approximately HK\$4,437 million (December 31, 2016: HK\$457 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\$4,447 million) and the principal amount of Japanese Yen ("JPY") 403 million drawdown under the term loan facility of JPY 1,500 million (equivalent to approximately HK\$104 million).

On January 21, 2014, the Group entered into agreements to obtain loan facilities by which the lenders would make available term loan facilities in the aggregated amount of US\$200 million ("USD Facility"). During the period ended June 30, 2017, the loan facility of US\$60 million drawdown in 2016 has been fully repaid and such USD Facility has been cancelled.

On March 9, 2017, the Group issued US\$570 million 4.75 per cent guaranteed notes due 2022, which are listed on the Singapore Exchange Securities Trading Limited.

On June 9, 2017, the Group also entered into a term loan facility agreement with maturity date in December 2028. The aggregated amount of the facility shall not exceed JPY1,500 million, of which JPY1,097 million remained undrawn by the Group as at June 30, 2017.

As at June 30, 2017, the net debt-to-equity ratio was 3.7 per cent (as at December 31, 2016: not applicable). The net debt is calculated from the principal amount of borrowings of HK\$4,475 million less the aggregate of cash and cash equivalents and short-term deposits of HK\$4,295 million.

The Group's borrowings were denominated in US 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, 2017, the assets of the Group in Indonesia, Thailand and Japan represented approximately 40 per cent, 6 per cent and 7 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, 2017 was approximately HK\$86 million, compared to cash used in operating activities in the amount of approximately HK\$198 million for the corresponding period in 2016 as the Group received the deposits from pre-sale of properties and deferred rental income during the reporting period in 2017.

## *Income tax*

The Group's income tax for the six months ended June 30, 2017 were approximately HK\$7 million, as compared to approximately HK\$4 million for the corresponding period in 2016.

## *Security on assets*

As at June 30, 2017, certain assets of the Group with an aggregated carrying value of approximately HK\$40 million were mortgaged and pledged to the bank as security for the loan facility.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

The pledged assets and equity interests in companies within the Group with an aggregated carrying value of approximately HK\$3,399 million and performance guarantee of approximately HK\$161 million as of December 31, 2016 have been released during the reporting period subsequent to the repayment and cancellation of the USD Facility.

## EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2017, the Group employed a total number of 283 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, 2017 (2016: Nil).

The Board did not recommend the payment of a final dividend for the year ended December 31, 2016.

## OUTLOOK

To date, the US Federal Reserve has raised rates four times as part of a normalization of monetary policy that began in December 2015. It also gave a first clear outline on its plan to reduce its portfolio of Treasury bonds and mortgage-backed securities, most of which were purchased in the wake of the 2007-2009 financial crisis and recession.

In March 2017, PCPD has raised US\$570 million through the issue of corporate bond. It is a crucial step for the Group to enhance its liquidity and fiscal efficiency for funding of the existing projects and possible investments in the future.

The Group is confident in the premium office market in CBD Jakarta. Many of the occupiers from a range of sectors continue to seek out upgrade opportunities with some tenants vacating their existing premises in favour of newer, higher quality space. The Group's Pacific Century Place Jakarta is on track for completion and tenants will start moving in by end of 2017. In addition, Indonesia is well poised to benefit from China's One Belt One Road initiative as substantial investments would be pumped into infrastructure projects, increase in cultural exchange and broadening trade. We expect this premium office building will start generating stable recurring rental income to the Group from 2018.

In Japan, the Park Hyatt Niseko Hanazono Residences are scheduled for completion by the end of 2019. The Group plans to have a formal launch of a selection of units in Asia during the second half of 2017 with the balance of units sold in several phases over the coming two to three years.

The management is actively looking at potential projects around the world, including Hong Kong, Southeast Asia and London.

# BOARD OF DIRECTORS

## EXECUTIVE DIRECTORS

### **LI Tzar Kai, Richard**

Chairman

Mr Li, aged 50, is an Executive Director and the Chairman of Pacific Century Premium Developments Limited (“PCPD”), the Chairman of PCPD’s Executive Committee of the Board, a member of PCPD’s Remuneration Committee and Nomination Committee of the Board. He became a director of PCPD in May 2004. He also holds positions in the following companies:

- (1) Chairman and Executive Director of PCCW Limited (“PCCW”);
- (2) Chairman of PCCW’s Executive Committee;
- (3) a member of PCCW’s Nomination Committee of the PCCW board;
- (4) Executive Chairman and Executive Director of HKT Limited (“HKT”) and HKT Management Limited, the trustee-manager of the HKT Trust;
- (5) Chairman of HKT’s Executive Committee;
- (6) a member of HKT’s Nomination Committee of the HKT board;

- (7) Chairman and Chief Executive of the Pacific Century Group; and
- (8) Chairman and Executive Director of Singapore-based Pacific Century Regional Developments Limited (“PCRD”), and the Chairman of PCRD’s Executive Committee.

Mr Li was an Independent Non-Executive Director of The Bank of East Asia, Limited. He is a member of the Center for Strategic and International Studies’ International Councillors’ Group in Washington, D.C., and a member of the Global Information Infrastructure Commission. Mr Li was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

### **LEE Chi Hong, Robert**

Deputy Chairman and Chief Executive Officer

Mr Lee, aged 66, is an Executive Director, the Deputy Chairman, the Chief Executive Officer of PCPD, a member of PCPD’s Executive Committee of the Board and is a Director of certain PCPD subsidiaries. He became a director of PCPD in May 2004. He is also an Executive Director of PCCW and a member of PCCW’s Executive Committee and is a Director of certain PCCW subsidiaries.

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

## BOARD OF DIRECTORS

### James CHAN

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

Mr Lee is a member of the International Council of the Louvre as well as an Ambassador for the Louvre in China.

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

Mr Chan, aged 63, is an Executive Director, the Project Director of PCPD, a member of PCPD's Executive Committee of the Board and he is a Director of certain PCPD subsidiaries. He became a director of PCPD in August 2005. Mr Chan is responsible for managing various property projects of PCPD and its subsidiaries. He was responsible for the project execution of the Cyberport project and has overall responsibility for all aspects of the construction works. Mr Chan has become an Independent Non-Executive Director of Beijing Properties (Holdings) Limited since June 2011 and a Non-Executive Director of Viva China Holdings Limited since June 2013.

Prior to joining PCCW in October 2002, Mr Chan was a practising architect and had worked for a major developer in Hong Kong, with comprehensive experience in design, planning and land matters, design development and construction management of major investment properties, which included a wide range of industrial and warehousing, commercial, retail and residential developments in Hong Kong and

overseas. Mr Chan possesses a wide spectrum of experience in the real estate industry and has been active in the real estate business for more than 38 years.

Mr Chan holds a Bachelor of Arts in Architectural Studies degree from The University of Hong Kong ("HKU"), a Bachelor of Architecture degree from University of Dundee in Scotland and an Executive Master of Business Administration degree from Tsinghua University. He is qualified as the Authorised Person (List I) and Registered Architect in Hong Kong, and is a member of The Hong Kong Institute of Architects, The Royal Institute of British Architects and The Australian Institute of Architects.

# BOARD OF DIRECTORS

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### **Prof WONG Yue Chim, Richard, SBS, JP**

Prof Wong, aged 65, is an Independent Non-Executive Director of PCPD, the Chairman of PCPD's Audit Committee of the Board and a member of PCPD's Remuneration Committee and Nomination Committee of the Board. He became a director of PCPD in July 2004.

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

Prof Wong is currently an Independent Non-Executive Director of the following listed companies in Hong Kong:

- (1) Great Eagle Holdings Limited;
- (2) Orient Overseas (International) Limited; and
- (3) Sun Hung Kai Properties Limited.

Prof Wong is also an Independent Non-Executive Director of Industrial and Commercial Bank of China (Asia) Limited (withdrawal of listing of shares on The Stock Exchange of Hong Kong Limited since 21 December 2010).

Prof Wong was an Independent Non-Executive Director of CK Life Sciences Int'l, (Holdings) Inc. from June 2002 to May 2015 and Link Asset Management Limited (the manager of Link Real Estate Investment Trust, a Hong Kong listed company) from September 2007 to July 2016.

### **Dr Allan ZEMAN, GBM, GBS, JP**

Dr Zeman, aged 69, is an Independent Non-Executive Director of PCPD, the Chairman of PCPD's Nomination Committee of the Board and a member of PCPD's Audit Committee of the Board. He became a director of PCPD in June 2004.

Dr Zeman is the Chairman of Lan Kwai Fong Group, a major property owner and developer in Hong Kong's Lan Kwai Fong, one of Hong Kong's popular tourist attractions and entertainment districts. Dr Zeman is also an Independent Non-Executive Director of Sino Land, Tsim Sha Tsui Properties Limited, Global Brands Group Holding Limited, Television Broadcasts Limited and a board member of The "Star" Ferry Company, Limited. Besides all the board appointments in Hong Kong, Dr Zeman is an Independent Non-Executive Director and the Vice Chairman of Wynn Macau, Limited, a prominent gaming company in Macau.

Having lived in Hong Kong for over 46 years, Dr Zeman has been very involved in Government services as well as community activities. He is the appointed member of the Economic Development Commission of Hong Kong, a member of the General

# BOARD OF DIRECTORS

## CHIANG Yun

Committee of the Hong Kong General Chamber of Commerce, a member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong and a member of the Asian Advisory Board of the Richard Ivey School of Business, The University of Western Ontario. In January 2015, Dr Zeman was appointed by the Chief Executive of the HKSAR Government to be a Representative of Hong Kong China to the Asia-Pacific Economic Cooperation Business Advisory Council. In June 2015, Dr Zeman was appointed as a board member of the Airport Authority of Hong Kong. Dr Zeman is also a board member of The Hong Kong Entrepreneurs Fund of Alibaba Group which was launched in November 2015. Dr Zeman was the Chairman of Hong Kong Ocean Park from July 2003 to June 2014 and he is now the honorary advisor to the Park.

Dr Zeman is a holder of Honorary Doctorate of Laws Degree from The University of Western Ontario, Canada. He is also a holder of Honorary Doctorate of Business Administration from City University of Hong Kong as well as The Hong Kong University of Science and Technology.

Ms Chiang, aged 49, is an Independent Non-Executive Director of PCPD, the Chairman of PCPD's Remuneration Committee of the Board and a member of PCPD's Audit Committee and Nomination Committee of the Board. She became a director of PCPD in May 2015.

Ms Chiang has over 23 years of private equity investment experience and is now a founding managing partner of Pacific Alliance Equity Partners, the private equity division of Pacific Alliance Group ("PAG"). Prior to joining PAG, she was a vice president in AIG Investment Corporation. She is currently an Independent Non-Executive Director of the following listed companies in Hong Kong:

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

and an Independent Non-Executive Director of the following listed company in London:

- (3) Merlin Entertainments Plc.

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

# FINANCIAL INFORMATION

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# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2017

HK\$ million	Note	2017 (Unaudited)	2016 (Unaudited)
<b>Revenue</b>	2	<b>107</b>	115
Cost of sales		(25)	(37)
<b>Gross profit</b>		<b>82</b>	78
General and administrative expenses		(215)	(208)
Other income		8	—
Other losses, net		—	(56)
<b>Operating loss</b>		<b>(125)</b>	(186)
Interest income		23	6
Finance costs	3	(39)	—
<b>Loss before taxation</b>	4	<b>(141)</b>	(180)
Income tax	5	(7)	(4)
<b>Loss attributable to equity holders of the Company</b>		<b>(148)</b>	(184)
<b>Other comprehensive income:</b>			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation differences:			
Exchange differences on translating foreign operations		100	178
<b>Total comprehensive loss</b>		<b>(48)</b>	(6)
<b>Loss per share</b> (expressed in Hong Kong cents per share)			
Basic and diluted	7	<b>(9.33) cents</b>	(11.62) cents

The notes on pages 20 to 39 form part of these unaudited condensed consolidated financial information.



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2017

HK\$ million	Issued equity	Capital reserve	Currency translation reserve	2017 (Unaudited) Convertible notes reserve	Other reserve	Retained earnings	Total
Balance at January 1, 2017	2,847	(565)	(608)	592	10	2,670	4,946
Total comprehensive income/(loss) for the period	—	—	100	—	—	(148)	(48)
Balance at June 30, 2017	2,847	(565)	(508)	592	10	2,522	4,898

HK\$ million	Issued equity	Capital reserve	Currency translation reserve	2016 (Unaudited) Convertible notes reserve	Other reserve	Retained earnings	Total
Balance at January 1, 2016	2,848	(565)	(664)	592	10	3,034	5,255
Total comprehensive income/(loss) for the period	—	—	178	—	—	(184)	(6)
Shares repurchased and cancelled (note 14(c))	(1)	—	—	—	—	—	(1)
Balance at June 30, 2016	2,847	(565)	(486)	592	10	2,850	5,248

The notes on pages 20 to 39 form part of these unaudited condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2017

HK\$ million	Note	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	8	3,747	3,266
Property, plant and equipment	9	236	174
Properties under development		420	402
Properties held for development		575	544
Goodwill		3	3
Other financial assets		—	3
Prepayments and other receivables		310	273
		<b>5,291</b>	4,665
<b>Current assets</b>			
Sales proceeds held in stakeholders' accounts		509	510
Restricted cash		94	103
Trade receivables, net	10	9	10
Prepayments, deposits and other current assets		112	158
Amounts due from fellow subsidiaries	17(c)	2	1
Amount due from a related company	17(c)	1	6
Other financial assets		80	4
Short-term deposits		2,656	3
Cash and cash equivalents		1,639	868
		<b>5,102</b>	1,663

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2017

HK\$ million	Note	As at June 30, 2017 (Unaudited)	As at December 31, 2016 (Audited)
<b>Current liabilities</b>			
Short-term borrowings	13	—	457
Trade payables	11	2	23
Accruals, other payables and deferred income		426	297
Deposits received from pre-sales of properties		20	—
Amounts due to fellow subsidiaries	17(c)	1	—
Amount payable to the HKSAR Government under the Cyberport Project Agreement	12	321	321
Current income tax liabilities		4	4
		<b>774</b>	1,102
<b>Net current assets</b>		<b>4,328</b>	561
<b>Total assets less current liabilities</b>		<b>9,619</b>	5,226
<b>Non-current liabilities</b>			
Long-term borrowings	13	4,437	—
Other payables		205	208
Deferred income		56	50
Deferred income tax liabilities		23	22
		<b>4,721</b>	280
<b>Net assets</b>		<b>4,898</b>	4,946
<b>CAPITAL AND RESERVES</b>			
Issued equity	14	2,847	2,847
Reserves		2,051	2,099
		<b>4,898</b>	4,946

The notes on pages 20 to 39 form part of these unaudited condensed consolidated financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2017

HK\$ million	2017 (Unaudited)	2016 (Unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(86)</b>	(198)
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(66)	(9)
Payment for investment properties	(313)	(390)
Distribution received from financial instrument liquidation	—	3
Purchase of other financial assets	(78)	—
Increase in short-term deposits with maturity more than three months	(2,653)	(4)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3,110)</b>	(400)
<b>FINANCING ACTIVITIES</b>		
Proceeds from bank borrowings	25	465
Proceeds from issue of guaranteed notes	4,391	—
Repayment of bank borrowing	(465)	—
Borrowing costs paid	(6)	(6)
Repurchase of shares	—	(1)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>3,945</b>	458
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>749</b>	(140)
Exchange difference	22	12
<b>CASH AND CASH EQUIVALENTS</b>		
Balance at January 1,	868	1,815
Balance at June 30,	<b>1,639</b>	1,687
<b>Analysis of cash and cash equivalents</b>		
Cash and bank balances	4,295	1,692
Less: Short-term deposits	(2,656)	(5)
Cash and cash equivalents at June 30,	<b>1,639</b>	1,687

The notes on pages 20 to 39 form part of these unaudited condensed consolidated financial information.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

## 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”) have 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, 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

The unaudited condensed consolidated financial information have 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, 2016.

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, 2016, except for the adoption of the following amendments to Hong Kong Financial Reporting Standards and HKASs (“new HKFRS”) which are effective for the annual period beginning on January 1, 2017 but have no significant impact on the Group’s reported results and financial position for the current and prior accounting periods:

HKAS 7 (Amendment)	Disclosure Initiative – Statement of Cash Flows
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of Interests in Other Entities

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 2. 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:

HK\$ million	Revenue from external customers		Revenue		Reportable segment revenue		Results Segment results before taxation		Other information Additions to non-current segment assets	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
For the six months ended June 30,										
All-season recreational activities in Japan	69	65	—	—	69	65	18	16	3	3
Property investment in Indonesia	—	—	—	—	—	—	(28)	(7)	424	437
Property development in Thailand	—	—	—	—	—	—	(2)	(3)	2	9
Property development in Japan	—	—	—	—	—	—	(15)	(6)	68	4
Property and facilities management in Hong Kong	14	27	—	—	14	27	4	5	—	—
Property development in Hong Kong	—	—	—	—	—	—	(2)	(3)	—	—
Property management in Japan	14	14	—	—	14	14	4	5	—	—
Other businesses (note a)	10	9	1	1	11	10	1	1	—	—
Elimination	—	—	(1)	(1)	(1)	(1)	—	—	—	—
Total of reported segments	107	115	—	—	107	115	(20)	8	497	453
Unallocated	—	—	—	—	—	—	(121)	(188)	1	7
Consolidated	107	115	—	—	107	115	(141)	(180)	498	460

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 2. REVENUE AND SEGMENT INFORMATION – CONTINUED

HK\$ million	Assets		Liabilities	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
As at				
All-season recreational activities in Japan	134	132	7	14
Property investment in Indonesia	4,131	3,686	401	802
Property development in Thailand	581	558	11	9
Property development in Japan	611	498	61	25
Property and facilities management in Hong Kong	14	27	2	5
Property development in Hong Kong	605	606	428	429
Property management in Japan	21	24	7	14
Other businesses (note a)	84	73	14	11
Total of reported segments	6,181	5,604	931	1,309
Unallocated	4,212	724	4,564	73
Consolidated	10,393	6,328	5,495	1,382

- a. Revenue from segments below the quantitative thresholds under HKFRS 8 are mainly attributable to two operating segments of the Group. These segments include property investment in Hong Kong and asset management in Mainland China. None of these segments have ever met any of the quantitative thresholds for determining reportable segments.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 3. FINANCE COSTS

HK\$ million	Six months ended June 30,	
	2017	2016
Interest expenses:		
– Bank borrowings	40	4
– US\$570 million 4.75% guaranteed notes due 2022	68	—
– Other finance costs	1	1
	<b>109</b>	5
Less:		
– Interest capitalised into investment properties	(64)	(5)
– Interest capitalised into properties under development	(6)	—
	<b>39</b>	—



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 4. LOSS BEFORE TAXATION

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

HK\$ million	Six months ended June 30,	
	2017	2016
Crediting:		
Gross rental income from investment property	1	1
Other rental income	6	6
Less: outgoings	(3)	(3)
Charging:		
Depreciation	9	9
Staff costs, included in:		
– cost of sales	13	11
– general and administrative expenses	85	76
Contributions to defined contribution retirement schemes included in general and administrative expenses	2	3
Share-based compensation expenses	3	2
Auditor's remuneration		
– audit services	2	2
Operating lease rental of land and buildings included in general and administrative expenses	18	21
Operating lease rental of equipment	3	1
Net foreign exchange loss/(gain)	3	(1)

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2016: 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	Six months ended June 30,	
	2017	2016
Current income tax		
– Hong Kong profits tax	1	1
– Income tax outside Hong Kong	5	2
Deferred income tax		
– Other origination and reversal of temporary differences	1	1
	<b>7</b>	<b>4</b>

### 6. DIVIDEND

HK\$ million	Six months ended June 30,	
	2017	2016
Interim dividend	—	—

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 7. LOSS PER SHARE

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

	<b>Six months ended June 30,</b>	
	<b>2017</b>	2016
<b>Loss (HK\$ million)</b>		
Loss for the purpose of calculating the basic and diluted loss per share	<b>(148)</b>	(184)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	<b>1,587,576,022</b>	1,587,721,445

Pursuant to the terms of the applicable deed poll, the bonus convertible notes will confer upon the holders the same economic interests attached to the bonus shares. The aggregated amount of HK\$592,553,354.40 (2016: HK\$592,553,354.40) outstanding bonus convertible notes which could be converted into 1,185,106,708 (2016: 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, 2017 and June 30, 2016.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 8. INVESTMENT PROPERTIES

HK\$ million	<b>2017</b>	2016
At January 1,	<b>3,266</b>	2,136
Additions	<b>424</b>	437
Exchange differences	<b>57</b>	57
At June 30,	<b>3,747</b>	2,630

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

HK\$ million	Fair value measurement as at June 30, 2017		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement			
Investment properties			
– Indonesia	—	—	3,695
– Hong Kong	—	—	52

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 8. INVESTMENT PROPERTIES – CONTINUED

HK\$ million	Fair value measurement as at December 31, 2016		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement			
Investment properties			
– Indonesia	—	—	3,214
– Hong Kong	—	—	52

During the six months ended June 30, 2017 and year ended December 31, 2016, there were no transfers between different levels.

For the investment property in Indonesia, management estimated the fair value of the property as at December 31, 2016 using residue value approach with reference to the estimated sales prices of similar completed properties. For the six months ended June 30, 2017, the valuation approach has been changed to the income approach as the construction of the property is close to completion. Management made reference to the estimated market rent, allowing for the outstanding development costs to estimate the fair value of the property.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2017, the Group acquired a previous leased property in Niseko, Hokkaido, Japan at a consideration of Japanese Yen (“JPY”) 404 million (equivalent to approximately HK\$28 million) (six months ended June 30, 2016: Nil). The property will be demolished for construction of a eco hotel for staff dormitory and budget travellers. The land acquisition cost and part of the construction cost are financed by a term loan facility (note 13(c)). The Group commenced the construction after the reporting period.

### 10. TRADE RECEIVABLES, NET

An aging analysis of trade receivables, based on invoice date and before provision for receivable impairment, is set out below:

HK\$ million	As at June 30, 2017	As at December 31, 2016
Current	6	6
One to three months	2	3
More than three months	1	1
	9	10

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.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 11. TRADE PAYABLES

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

HK\$ million	<b>As at June 30, 2017</b>	As at December 31, 2016
Current	<b>2</b>	23

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

Pursuant to the Cyberport Project Agreement, the Government of the Hong Kong Special Administrative Region (the “HKSAR Government”) shall be entitled to receive payments of approximately 65 per cent from the surplus cashflow arising from the sales of the residential portion of the Cyberport project, net of certain allowable costs incurred on the project, as stipulated under certain terms and conditions of the Cyberport Project Agreement. The amount payable to the HKSAR Government is based on surplus from sales proceeds of the residential portion after the development costs of the Cyberport project. As at June 30, 2017, the amount attributable to the HKSAR Government under Cyberport Project Agreement was HK\$321 million (June 30, 2016: HK\$322 million).

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 13. BORROWINGS

HK\$ million	As at June 30, 2017	As at December 31, 2016
Borrowings, repayable within a period		
– not exceeding one year	—	457
– over one year, but not exceeding two years	1	—
– over two years, but not exceeding five years	4,421	—
– over five years	15	—
	<b>4,437</b>	457
Representing:		
US\$570 million 4.75% guaranteed notes due 2022 (note b)	4,412	—
Bank borrowings (notes a and c)	25	457
	<b>4,437</b>	457
Secured	25	457
Unsecured	4,412	—



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 13. BORROWINGS – CONTINUED

- a. On January 21, 2014, indirect wholly-owned subsidiaries of the Company entered into USD facilities agreements (“USD Facility”) which the lenders would make available term loan facilities in an aggregate amount of US\$200 million, comprising a term loan facility for US\$140 million (the “USD Facility A”) and a term loan facility for US\$60 million (the “USD Facility B”), for financing the development of a premium office building in Jakarta, Indonesia. The USD Facility must be repaid on or before six months after the completion of the building or December 31, 2017, whichever is earlier. The USD Facility are secured by the shares and assets of the indirect wholly-owned subsidiaries and one of the indirectly wholly-owned subsidiaries is subjected to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. During the period ended June 30, 2017, the USD Facility B of US\$60 million has been fully repaid and the USD Facility A has been cancelled.
- b. 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.
- c. On June 9, 2017, an indirect wholly-owned subsidiary of the Company entered into a facility agreement which the lender had agreed to make available a term loan facility up to an aggregate amount of JPY1,500 million (“JPY Facility”) by December 2018. The maturity date of the JPY Facility is 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 subjected to certain financial covenants. As at June 30, 2017, none of the covenants were breached. In June 2017, JPY403 million has been drawn down by the Group. As at June 30, 2017, the carrying value of the borrowing represents the loan drawdown of JPY403 million (December 31, 2016: Nil) net off by the deferred arrangement fees of JPY47 million (December 31, 2016: Nil).

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 14. ISSUED EQUITY

	<b>The Group</b>	
	<b>Number of shares</b>	<b>Issued equity</b>
	<b>(note a)</b>	<b>HK\$ million</b>
		<b>(note a)</b>
Ordinary shares of HK\$0.50 each at January 1, 2016	402,668,313	2,848
Shares repurchased and cancelled (note c)	(199,000)	(1)
Ordinary shares of HK\$0.50 each at June 30, 2016, January 1, 2017, and June 30, 2017	<b>402,469,313</b>	<b>2,847</b>

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

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

	<b>The Company</b>	
	<b>Number of shares</b>	<b>Nominal value</b>
		<b>HK\$ million</b>
<b>Authorised:</b>		
Ordinary shares of HK\$0.50 each at June 30, 2016 and June 30, 2017	<b>4,000,000,000</b>	<b>2,000</b>
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.50 each at January 1, 2016	402,668,313	201
Shares repurchased and cancelled (note c)	(199,000)	—
Ordinary shares of HK\$0.50 each at June 30, 2016, January 1, 2017 and June 30, 2017 (note d)	<b>402,469,313</b>	<b>201</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 14. ISSUED EQUITY – CONTINUED

- c. During the six months ended June 30, 2016, 199,000 ordinary shares of HK\$0.50 each were repurchased on the market for cancellation at total consideration of HK\$575,170. These shares were subsequently cancelled after repurchase.
- d. As at June 30, 2017, the number of the total issued and fully paid consolidated ordinary shares of HK\$0.50 each was 402,469,313.2. Fractional shares amounted to 1.2 ordinary shares of HK\$0.50 each were generated from the share consolidation on June 25, 2012 and are retained by the Company in accordance with the terms of the share consolidation. Such fractional shares are registered under the name of an indirect wholly-owned subsidiary of the Company. Amongst such 1.2 fractional shares, 0.2 shares of which is not tradable on the main board of The Stock Exchange of Hong Kong Limited and such 0.2 shares are not shown in this section.

### 15. CAPITAL COMMITMENTS

HK\$ million	<b>As at June 30, 2017</b>	As at December 31, 2016
Contracted but not provided for		
Property development projects	<b>201</b>	34
Investment property	<b>146</b>	472
Property, plant and equipment	<b>66</b>	11
	<b>413</b>	517

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 16. BANKING FACILITY

Aggregate banking facilities as at June 30, 2017 were HK\$104 million (December 31, 2016: HK\$1,551 million) of which the unused facilities amounted to HK\$76 million (December 31, 2016: HK\$1,086 million)(note 13).

Security pledged for the banking facilities includes:

HK\$ million	As at June 30, 2017	As at December 31, 2016
Investment property	—	3,214
Property, plant and equipment	40	2
Other current assets	—	87
Restricted cash	—	8
Cash and cash equivalents	—	88
	<b>40</b>	3,399

During the six months ended June 30, 2017, the security pledged for the USD Facility has been released subsequent to the repayment and cancellation of the USD Facility (note 13(a)).

As at December 31, 2016, performance guarantee of HK\$161 million received in relation to the construction of the premium office building in Jakarta, Indonesia was pledged for certain bank loan facilities. This pledge was also released during the six months ended June 30, 2017.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 17. MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by PCCW Limited (“PCCW”), a company incorporated in Hong Kong, which owns 70.83 per cent (December 31, 2016: 70.83 per cent) of the Company’s shares. The remaining 29.17 per cent of the shares are held by public as at June 30, 2017 (December 31, 2016: 29.17 per cent). PCCW is also regarded as the ultimate holding company of the Group.

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

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

HK\$ million	Six months ended June 30,	
	2017	2016
Sales of services:		
– Fellow subsidiaries		
Office leases rental	1	2
– Related companies		
Facilities management services	4	15
Others	2	—
Purchases of services:		
– Fellow subsidiaries		
Corporate services	1	1
Information technology and other logistic services	2	2

The above transactions were carried out after negotiations between the Group and the related parties in the ordinary course of business.

b. Details of key management compensation

HK\$ million	Six months ended June 30,	
	2017	2016
Salaries and other short-term employee benefits	9	8
Bonuses	—	9
Retirement scheme contribution	1	1
	10	18

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 17. MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

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

HK\$ million	As at June 30, 2017	As at December 31, 2016
Receivables from related parties:		
– Fellow subsidiaries	2	1
– Related company	1	6
	<b>3</b>	<b>7</b>
Payables to related parties:		
– Fellow subsidiaries	1	—

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 18. FAIR VALUE ESTIMATION

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

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

See note 8 for disclosure of the investment properties that are measured at fair value.

HK\$ million	As at June 30, 2017			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
Other financial assets	2	78	—	80

HK\$ million	As at December 31, 2016			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
Other financial assets	7	—	—	7

During the six months ended June 30, 2017, there were no transfers of financial instruments between different levels. There were no changes in valuation techniques during the period.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2017

### 18. FAIR VALUE ESTIMATION – CONTINUED

#### a. Financial instruments in level 1

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

#### b. Financial instruments in level 2

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

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

Specific valuation techniques used to value financial instruments include:

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



# GENERAL INFORMATION

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES

As at June 30, 2017, the directors and the chief executives of the Company and their respective close associates had the following interests and short positions in the shares, share stapled units, underlying shares, underlying share stapled units and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were recorded in the register required to be kept under Section 352 of the SFO or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"):

### 1. The Company

As at June 30, 2017, none of the directors or chief executives of the Company or their respective close associates had any interests or short positions in the shares or underlying shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

### 2. Associated Corporations of the Company

#### A. Interests in PCCW Limited ("PCCW")

The table below sets out the aggregate long positions of the directors and the chief executives of the Company in the shares of PCCW, the ultimate holding company of the Company, as at June 30, 2017:

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 (Note I(a))	1,928,842,224 (Note I(b))	2,236,536,593	28.97%
Lee Chi Hong, Robert	992,600 (Note II(a))	511 (Note II (b))	–	–	993,111	0.01%

## GENERAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES – CONTINUED

#### 2. Associated Corporations of the Company – Continued

##### A. Interests in PCCW Limited (“PCCW”) – Continued

Notes:

- I. (a) Of these shares of PCCW, Pacific Century Diversified Limited (“PCD”), a wholly-owned subsidiary of Chiltonlink Limited (“Chiltonlink”), held 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.

## GENERAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES – CONTINUED

#### 2. Associated Corporations of the Company – Continued

##### 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 June 30, 2017:

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 (Note I(a))	144,786,423 (Note I(b))	211,034,037	2.79%
Lee Chi Hong, Robert	50,924 (Note II(a))	25 (Note II(b))	–	–	50,949	0.0007%

## GENERAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES – CONTINUED

#### 2. *Associated Corporations of the Company – Continued*

##### **B. *Interests in HKT Trust and HKT Limited – Continued***

Each Share Stapled Unit confers an interest in:

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

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

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

*Notes:*

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

## GENERAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES – CONTINUED

#### 2. Associated Corporations of the Company – Continued

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

The table below sets out the aggregate long position 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 June 30, 2017:

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

## GENERAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES – CONTINUED

#### 2. *Associated Corporations of the Company – Continued*

##### **D. *PCCW-HKT Capital No.5 Limited***

PineBridge Investments Europe Limited (“PBIEL”) in its capacity as investment manager for a third party client had discretionary authority to deal with nominal amount of bond currency at US\$1,200,000 of PCCW-HKT Capital No.5 – 3.75% due 2023 (the “2023 Bonds”) issued by PCCW-HKT Capital No.5 Limited, an associated corporation of the Company. PBIEL was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the amount of US\$1,200,000 of the 2023 Bonds.

##### **E. *HKT Capital No. 2 Limited***

PBIEL in its capacity as investment manager for a third party client had discretionary authority to deal with nominal amount of bond currency at US\$1,900,000 of HKT Capital No. 2 – 3.625% due 2025 (the “2025 Bonds”) issued by HKT Capital No. 2 Limited, an associated corporation of the Company. PBIEL was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the amount of US\$1,900,000 of the 2025 Bonds.

Save as disclosed in the foregoing, as at June 30, 2017, none of the directors or chief executives of the Company or their respective close associates had any interests or short positions in any shares, Share Stapled Units, underlying shares, underlying Share Stapled Units or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

### SHARE OPTION SCHEME

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.

No share options have been granted under the 2015 Scheme since its adoption and up to and including June 30, 2017.

## GENERAL INFORMATION

### SHARE OPTION SCHEME – CONTINUED

Save as disclosed above, at no time during the period under review was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement that may enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors or chief executives of the Company or their spouses or children under 18 years of age had any right to subscribe for equity or debt securities of the Company or any of its associated corporations or had exercised any such right during the period under review.

### INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDER

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

As at June 30, 2017, the following person (other than directors or chief executives of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

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

*Note:*

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

#### 2. *Short Positions in the shares and underlying shares of the Company*

As at June 30, 2017, the Company had not been notified of any person who had short positions in the shares or underlying shares of the Company to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed above, as at June 30, 2017, the Company had not been notified of any other person who had interests or short positions in the shares and underlying shares of the Company to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## GENERAL INFORMATION

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2017, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

### AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended June 30, 2017 and has held one meeting during the period under review. Such condensed consolidated interim financial information has not been audited but has been reviewed by the Company's independent auditor.

### CORPORATE GOVERNANCE CODE

The Company 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 Listing Rules during the six months period ended June 30, 2017, except for code provision E.1.2 as the Chairman of the Board was unable to attend the Company's annual general meeting held on March 10, 2017 due to an urgent business trip. Mr. Lee Chi Hong, Robert, the Deputy Chairman and Chief Executive Officer, chaired the annual general meeting pursuant to the Company's bye-laws and was available to answer questions.

During the period covered by this report, in support of their responsibility for the risk management and internal control systems, the directors of the Company have sought and received from the Company's management a report on the risk management and internal control systems, including an assurance that, based on the Company's ongoing assessment and validation activities, they are not aware of any material risks or internal control deficiencies which are not being adequately and appropriately mitigated and/or managed.

### MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted its own code of conduct regarding securities transactions, namely the PCPD Code of Conduct for Securities Transactions ("PCPD Code"), which applies to all directors and employees of the Company on terms no less exacting than the required standard indicated by the Model Code as set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiries with all directors of the Company and they had confirmed that they had complied with the requirements under the PCPD Code for the six months ended June 30, 2017.



# INVESTOR RELATIONS

## LISTING

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

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

## BOARD OF DIRECTORS

### Executive Directors

Li Tzar Kai, Richard (*Chairman*)

Lee Chi Hong, Robert

(*Deputy Chairman and Chief Executive Officer*)

James Chan

### Independent Non-Executive Directors

Prof Wong Yue Chim, Richard, SBS, JP

Dr Allan Zeman, GBM, GBS, JP

Chiang Yun

## COMPANY SECRETARY

Tsang Sai Chung

## REGISTERED OFFICE

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## INVESTOR RELATIONS

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## PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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Bermuda

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