Pacific Century
Premium Developments
盈科大衍地產發展

STOCK CODE: 00432

INTERIM REPORT 2018

CONTENTS

STATEMENT FROM THE CHAIRMAN

WE EMBRACE THE CHANGES BY ADOPTING PRUDENT APPROACHES AND INTEGRATING SUSTAINABILITY INTO OUR PROJECTS, A COMMITMENT FAVOURABLE TO BOTH LOCAL COMMUNITIES AND THE GROUP.

The global economy started fairly well in 2018 and continued to show a broad-based growth. Nevertheless, the continued US-China trade war, emerging market crises, rising oil prices and geopolitical risks may hinder potential growth prospects.

In the UK, the economy was on course to rebound in the second quarter and the Bank of England may hike interest rates over the coming months. The local property market remained weak and rents went flat as Brexit uncertainty and fragile consumer confidence clouded the outlook. This is evident in a recent poll showing that home prices in London were set to deflate by an average of 1% over 2018. Backed by the depreciation of the British sterling, increasing appetite of foreign investors and high levels of employment, the downside of property prices should be limited.

In July 2018, the Group announced its withdrawal from the Meridian Water Regeneration Project in London, UK. The Group believes the UK economy would continue to pick up gradually and will continue to seek suitable projects in the country.

Buoyed by growing domestic spending and external demand, Hong Kong's economy is likely to see a steady growth this year. We believe that the local residential and office markets will benefit from ongoing healthy expansion and maintain its upward momentum despite the recent announcement of the six new measures and anticipation of moderate interest rate hikes.

The Group is operating in a fast-changing environment and facing fierce competition in the countries where we operate. We embrace the changes by adopting prudent approaches and integrating sustainability into our projects, a commitment favourable to both local communities and the Group as a whole in the long-term.

In Jakarta, Indonesia, Pacific Century Place, Jakarta ("PCP, Jakarta"), our premium Grade A office building, has set a sustainable benchmark for the city. This award-winning office in Sudirman CBD is not only the first LEED Platinum pre-certified commercial building in the city, but also our first office building that incorporated state-of-the-art environmentally friendly design. Our recognised commitment attracted numerous multinational corporations to call it home. To date, approximately 78% of the office space was committed or reserved, which is expected to provide a steady stream of recurring income.

At Park Hyatt Niseko Hanazono Residences ("Branded Residences") in Hokkaido, Japan, the Group is dedicated to providing the highest quality condominiums. With carefully thought-out design and the management's effective marketing initiatives, 90 of the 114 Branded Residences were sold or reserved. The Park Hyatt Niseko, Hanazono and Branded Residences are scheduled to be completed in the fourth quarter of 2019.

The Group will continue to expand its hotel and branded residence portfolio in Asia. In Phang-nga, southern Thailand, the Group is proceeding to discuss with Paradise Pinetree Development Limited, a company wholly-owned by Dr. Allan Zeman, on the design of the phase 1 development.

Richard Li
Chairman
August 3, 2018

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

WE ACHIEVED EXCELLENT RESULTS WITH 90 OUT OF THE TOTAL 114 PARK HYATT NISEKO HANAZONO RESIDENCES SOLD OR RESERVED TO DATE.

The Group recorded a consolidated revenue of approximately HK$165 million for the six months ended June 30, 2018, as compared to approximately HK$107 million for the same period of 2017.

Consolidated operating loss of the Group for the period under review amounted to approximately HK$107 million, as compared to an operating loss of approximately HK$125 million for the first half of 2017.

The Group's consolidated loss attributable to equity holders of the Company for the first six months of 2018 totalled HK$198 million, as compared to a net loss of approximately HK$148 million for the corresponding period last year. Basic loss per share for the six months ended June 30, 2018 was approximately 12.49 Hong Kong cents, as compared to a loss per share of approximately 9.33 Hong Kong cents for the six months of 2017.

The Board of Directors did not declare an interim dividend for the first half of 2018.

Supported by the improving demand and complemented by the strategic leasing plans, PCP, Jakarta, Indonesia performed well in the first half of 2018. Approximately 78% of office space reserved or committed by world renowned corporations as of today.

With its prestigious location and distinctive sustainable features, the premium Grade A tower is considered one of the most preferred addresses for multinational companies in the Sudirman CBD. During the reporting period, we were in discussion with potential tenants from different sectors to conclude leases. Besides, the Group is continuing to increase more in-house facilities, including a gym and a food court. The food court was completed in July this year with the gym opening in August which will further enhance the attraction of the building to potential tenants.

Niseko, Hokkaido has undoubtedly emerged as one of the most attractive tourist spots in Japan in recent years given its pristine natural surroundings and magic powder snow in winter. We achieved excellent results with 90 out of the total 114 Park Hyatt Niseko Hanazono Residences sold or reserved to date. The project is expected to complete in the fourth quarter of 2019.

In Phang-nga, Thailand, we are progressing to the design stage for phase 1 after the establishment of a joint venture with Paradise Pinetree Development Limited, a company wholly-owned by Dr. Allan Zeman, back in March 2018.

In Hong Kong, we are in discussion with CSI Properties on the redevelopment plan at 3–6 Glenealy, Central, Hong Kong.

Robert Lee
Deputy Chairman and Chief Executive Officer
August 3, 2018

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, 2018 is set out below.

REVIEW OF OPERATIONS

Property investment

Indonesia

PCP, Jakarta, our premium Grade A office investment, 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 report.

Property development

Japan

The construction of Park Hyatt Niseko, Hanazono and Park Hyatt Niseko Hanazono 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. 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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2028 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 was 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

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.

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 the 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.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Chairman

Mr Li, aged 51, 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 PCPD 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 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 67, 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

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.

James CHAN

Mr Chan, aged 64, is an Executive Director, the Project Director 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 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 39 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.

HUI Hon Hing, Susanna

Ms Hui, aged 53, has become an Executive Director of PCPD with effect from May 9, 2018. She was the Chief Financial Officer of PCPD from July 2009 to November 2011. She is and has been the Group Chief Financial Officer of PCCW since April 2007 and an Executive Director of PCCW since May 2010. She is a member of PCCW's Executive Committee. Ms Hui is and has been the Group Chief Financial Officer of HKT and an Executive Director of HKT and HKT Management Limited, the trustee-manager of the HKT Trust, since November 2011. She is a member of HKT's Executive Committee. Prior to her appointment as the Group Chief Financial Officer of PCCW, Ms Hui was the Director of Group Finance of the PCCW group from September 2006 to April 2007, and the Director of Finance of the PCCW group with responsibility for the telecommunications services sector and regulatory accounting.

Prior to joining Cable & Wireless HKT Limited (which was subsequently acquired by PCCW) in September 1999, Ms Hui was the chief financial officer of a listed company engaged in hotel and property investment and management.

Ms Hui graduated with a bachelor's degree in social sciences from HKU with first class honours. She is a qualified accountant and a member of both the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

* Subsequent to the date of this report, Ms Hui became HKT's Group Managing Director and stepped down as HKT's Group Chief Financial Officer with effect from September 1, 2018.

NON-EXECUTIVE DIRECTOR

Dr Allan ZEMAN, GBM, GBS, JP

Dr Zeman, aged 70, is a Non-Executive Director of PCPD, and the member of PCPD's Nomination 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 of Wynn Macau, Limited ("Wynn"), a prominent gaming company in Macau and the Non-Executive Chairman of Wynn.

Having lived in Hong Kong for over 47 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 Committee of the Hong Kong General Chamber of Commerce, a member of the Board of Governors of The Canadian Chamber of Commerce

BOARD OF DIRECTORS

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 Hong Kong Special Administrative Region ("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. In March 2018, Dr Zeman was appointed as a member of HKSAR Chief Executive's Council of Advisers on Innovation & Strategic Development and a member of HKSAR Human Resources Planning Commission. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof WONG Yue Chim, Richard, SBS, JP

Prof Wong, aged 66, 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 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 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.

CHIANG Yun

Ms Chiang, aged 50, 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 24 years of private equity investment experience and is now the chief executive officer and managing partner of Prospere Capital Limited. She was previously 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 The Hong Kong University of Science and Technology in 1999.

Dr Vince FENG

Dr Feng, aged 46, has become 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 with effect from March 16, 2018.

Dr Feng is the Cofounder and Managing Director of Ocean Arete Limited, an investment manager based in Hong Kong that manages the global macro hedge fund Arete Macro Fund. Dr Feng is also a Non-Executive Independent Director of TIH Limited (formerly known as Transpac Industrial Holdings Limited), a listed company in Singapore, where he also serves as Chairman of the Remuneration Committee and a member of the Audit Committee and Board Investment Committee. Dr Feng also serves as a director of various funds and asset management firms.

Dr Feng has been working in the financial services industry since 1994. Prior to founding Arete Macro Fund in 2012, Dr. Feng was a Cofounder and Managing Director of Ocean Capital Management Limited from 2009 to 2010. Dr Feng has also previously served as a Managing Director of

BOARD OF DIRECTORS

General Atlantic LLC, a US$17 billion global private equity firm focused on growth sectors, overseeing their North Asian operations and serving on the boards of numerous technology companies in Greater China, such as Lenovo, Digital China, Ren Ren, Data Systems, and Vimicro. Prior to that, Dr Feng was a financial analyst with Goldman Sachs (Asia) LLC in Hong Kong, working in the Direct Private Investing (formerly PIA) and Mergers and Acquisitions areas.

Dr Feng received his Doctor of Philosophy (PhD) in Economic Sociology and Bachelor of Arts (BA) degree (Honors) in Social Studies, both from Harvard University, and his Master of Business Administration (MBA) degree from Stanford University.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2018

HK$ million	Note	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	4	**(102)**	(39)
Loss before taxation	5	**(185)**	(141)
Income tax	6	**(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	8	**(12.49) cents**	(9.33) cents

The notes on pages 23 to 47 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2018

2018 (Unaudited)

HK$ million	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserves	Retained earnings	Attributable to the shareholders of the Company	Attributable to the non-controlling interests	Total equity
Balance at January 1, 2018	2,847	(565)	(553)	592	10	2,330	4,661	—	4,661
Impact of early adoption of HKFRS 16 (net of tax)	—	—	—	—	—	—	—	—	—
Balance at January 1, 2018, as restated	2,847	(565)	(553)	592	10	2,330	4,661	—	4,661
Total comprehensive loss for the period	—	—	(133)	—	—	(198)	(331)	—	(331)
Non-controlling interest on acquisition of subsidiaries	—	—	—	—	—	—	—	133	133
Balance at June 30, 2018	2,847	(565)	(686)	592	10	2,132	4,330	133	4,463

2017 (Unaudited)

HK$ million	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserves	Retained earnings	Attributable to the shareholders of the Company	Attributable to the non-controlling interests	Total equity
Balance at January 1, 2017, as previously reported	2,847	(565)	(608)	592	10	2,670	4,946	—	4,946
Impact of early adoption of HKFRS 16 (net of tax)	—	—	—	—	—	(1)	(1)	—	(1)
Balance at January 1, 2017, as restated	2,847	(565)	(608)	592	10	2,669	4,945	—	4,945
Total comprehensive income/(loss) for the period	—	—	100	—	—	(148)	(48)	—	(48)
Balance at June 30, 2017	2,847	(565)	(508)	592	10	2,521	4,897	—	4,897

The notes on pages 23 to 47 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2018

HK$ million	Note	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Restated) (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	**3,707**	3,822
Property, plant and equipment	10	**710**	579
Properties under development		**642**	612
Properties held for development	11	**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	12	**27**	14
Prepayments, deposits and other current assets		**266**	110
Amounts due from fellow subsidiaries	22(c)	**1**	—
Amounts due from related companies	22(c)	**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

AS AT JUNE 30, 2018

HK$ million	Note	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Restated) (Audited)
Current liabilities			
Current portion of long-term borrowings	15	**4**	—
Trade payables	13	**7**	23
Accruals and other payables		**396**	442
Contract liabilities	16	**225**	118
Lease liabilities		**22**	22
Amounts due to fellow subsidiaries	22(c)	**2**	—
Amount payable to the HKSAR Government under the Cyberport Project Agreement	14	**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	15	**5,327**	4,473
Other payables		**169**	206
Contract liabilities	16	**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	17	**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

The notes on pages 23 to 47 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2018

HK$ million	2018 (Unaudited)	2017 (Restated) (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(2,225)**	(64)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(122)**	(66)
Payment for investment properties	**(99)**	(313)
Payment for acquisition of subsidiary, net of cash acquired	**(4)**	—
Proceeds from sale of property, plant and equipment	**1**	—
Disposal/(purchase) of other financial assets at fair value through profit or loss	**80**	(78)
Decrease/(increase) in short-term deposits with maturity more than three months	**1,015**	(2,653)
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**871**	(3,110)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**833**	25
Proceeds from issue of guaranteed notes	**—**	4,391
Repayment of bank borrowing	**—**	(465)
Payment for borrowing costs and lease finance cost	**(111)**	(7)
Payment for principal portion of lease liabilities	**(18)**	(21)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**704**	3,923
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(650)**	749
Exchange difference	**22**	22
CASH AND CASH EQUIVALENTS		
Balance at January 1,	**2,633**	868
Balance at June 30,	**2,005**	1,639
Analysis of cash and cash equivalents		
Cash and bank balances	**2,009**	4,295
Less: Short-term deposits	**(4)**	(2,656)
Cash and cash equivalents at June 30,	**2,005**	1,639

The notes on pages 23 to 47 form part of these unaudited condensed consolidated financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES – CONTINUED

a. Adoption of new/revised accounting standards – Continued

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.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES – CONTINUED

a. Adoption of new/revised accounting standards – Continued

HKFRS 9 "Financial Instruments"

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 retrospectively 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.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES – CONTINUED

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) (Note 16).

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

2. IMPACT ON ADOPTION OF NEW ACCOUNTING STANDARDS – CONTINUED

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

HK$ million	Six months ended June 30, **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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

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:

HK$ million	Revenue (note a)						Results		Other information	
	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-month periods 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

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 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.

4. FINANCE COSTS

HK$ million	Six months ended June 30,	
	2018	2017 (Restated)
Interest expenses:		
– Bank borrowings	**6**	40
– Guaranteed notes	**110**	68
Lease finance cost	**1**	—
Other finance costs	**1**	1
	118	109
Less:		
– Interest capitalised into investment properties	**—**	(64)
– Interest capitalised into property, plant and equipment	**(1)**	—
– Interest capitalised into properties under development	**(15)**	(6)
	102	39

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

5. LOSS BEFORE TAXATION

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

	Six months ended June 30,	
HK$ million	**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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

6. 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.

	Six months ended June 30,	
HK$ million	**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

7. DIVIDEND

	Six months ended June 30,	
HK$ million	**2018**	2017
Interim dividend	**—**	—

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

8. LOSS PER SHARE

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

	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)

	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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

9. 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

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

	As at June 30, 2018		
HK$ million	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	—	—	3,651
– Hong Kong	—	—	56

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

9. INVESTMENT PROPERTIES – CONTINUED

	As at December 31, 2017		
HK$ million	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	—	—	3,770
– Hong Kong	—	—	52

During the six months ended June 30, 2018 and year ended December 31, 2017, there were no transfers between different levels.

For the investment properties, the fair value of the properties as at December 31, 2017 and June 30, 2018 were following the income capitalisation approach. The valuation takes into account of expected market rent, capitalisation rate and other constraint factors, if any. A significant change in the expected market rent or capitalisation rate would result in a significant change in the fair value of the investment properties.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2018, additions to property, plant and equipment mainly include the increase in construction in progress of HK$38 million for the construction of a branded hotel in Hokkaido, Japan and increase in construction in progress of HK$68 million for the construction of phase 2 of the eco hotel for staff dormitory and budget travelers in Hokkaido, Japan.

The early adoption of HKFRS 16 (see Note 2) resulted in an increase in right-to-use assets of HK$58 million as at June 30, 2018 (December 31, 2017: HK$45 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

11. 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 properties held for development in the condensed consolidated statement of financial position.

12. 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

13. 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

14. 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, 2018, the amount attributable to the HKSAR Government share under Cyberport Project Agreement was HK$321 million (December 31, 2017: HK$321 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

15. BORROWINGS

HK$ million	**As at June 30, 2018**	As at December 31, 2017
Borrowings, repayable within a period		
– not exceeding one year	**4**	—
– over one year, but not exceeding two years	**810**	6
– over two years, but not exceeding five years	**4,472**	4,438
– over five years	**45**	29
	5,331	4,473
Representing:		
Guaranteed notes (note b)	**4,445**	4,422
Bank borrowings (notes c, d and e)	**886**	51
	5,331	4,473
Secured	**886**	51
Unsecured	**4,445**	4,422

a. During the year ended December 31, 2017, the US$60 million term loan was fully repaid and the US$140 million loan facility was cancelled, which terminates the USD facilities for financing the development of a premium Grade A office building in Jakarta, Indonesia.

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 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 2028 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).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

15. BORROWINGS – CONTINUED

d. 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.

e. 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

16. CONTRACT LIABILITIES

Contract liabilities mainly represent rental receipt or other revenue receipt in advance and the deposits received from pre-sales of properties.

HK$ million	As at June 30, 2018	As at December 31, 2017
Deposits received from pre-sale of properties	**159**	69
Rental and other revenue receipt in advance	**175**	123
	334	192
Less: Amount classified as current liabilities	**(225)**	(118)
	109	74

17. ISSUED EQUITY

	The Group Number of shares (note a)	Issued equity HK$ million (note a)
Ordinary shares of HK$0.50 each at January 1, 2017, June 30, 2017, January 1, 2018 and June 30, 2018	**402,469,313**	**2,847**

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

17. ISSUED EQUITY – CONTINUED

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

	The Company	
	Number of shares	Nominal value HK$ million
Authorised:		
Ordinary shares of HK$0.50 each at June 30, 2017 and June 30, 2018	**4,000,000,000**	**2,000**
Issued and fully paid:		
Ordinary shares of HK$0.50 each at January 1, 2017, June 30, 2017, January 1, 2018 and June 30, 2018	**402,469,313**	**201**

c. As at June 30, 2018, 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

18. CAPITAL COMMITMENTS

HK$ million	As at June 30, 2018	As at December 31, 2017
Contracted but not provided for		
Property development projects	**180**	167
Investment property	**21**	19
Property, plant and equipment	**232**	290
	433	476

As disclosed in the announcement of the Company dated July 20, 2018 (the "Announcement"), an indirect wholly-owned subsidiary entered into a construction contract for design and construction of a branded hotel in Hokkaido, Japan with the contract sum of JPY16,280 million (approximately HK$1,131 million). For details, please refer to the Announcement.

19. BANKING FACILITY

Aggregate banking facilities as at June 30, 2018 were HK$2,341 million (December 31, 2017: HK$104 million) of which HK$1,444 million remain undrawn by the Group (December 31, 2017: HK$50 million) (see Note 15).

Security pledged for the banking facilities includes:

HK$ million	As at June 30, 2018	As at December 31, 2017
Property, plant and equipment	**155**	89
Properties held for development	**2,172**	—
Cash and cash equivalents	**6**	—
	2,333	89

Apart from the banking facility security, pursuant to the lease arrangement with a new tenant of the premium Grade A office building in Jakarta who paid the full rental for the initial term of the lease immediately after signing the lease agreement, a performance bond was issued at Indonesian rupiah 6,500 million (equivalent to HK$3.60 million) and will be cancelled upon the lease commencement. A same amount of cash was deposited with the bank issuing the performance bond as security.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

20. 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 "Prepayments, deposits and other current assets" in the condensed consolidated statement of financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

21. BUSINESS COMBINATION

On May 30, 2018, the Group acquired 100 per cent of the share capital of Yugenkaisha Hakuousha Cleaning Company, a company incorporated in Japan, which provides laundry services in Hokkaido, Japan. The acquired business contributed revenues of approximately HK$113,000 and HK$69,000 net profit to the Group for the period from May 30, 2018 to June 30, 2018.

HK$ million	The Group 2018
Purchase consideration in cash for laundry services operations of Yugenkaisha Hakuousha Cleaning Company	**4**
Fair value of net assets acquired (note a)	**(2)**
Goodwill	**2**

The goodwill is attributable to future profit generated from the laundry services operations.

a. The material assets and liabilities of the laundry services operations as at May 30, 2018 were as follows:

HK$ million	Fair value	Acquiree's carrying amount
Property, plant and equipment	**3**	**1**
Trade receivables, net	**1**	**1**
Accruals and other payables	**(2)**	**(2)**
Net assets acquired	**2**	**—**

HK$ million	The Group 2018
Purchase consideration settled in cash	**(4)**
Cash and cash equivalents of laundry services operations acquired	**—**
Cash outflow on acquisition of laundry services operations	**(4)**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

22. 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, 2017: 70.83 per cent) of the Company's shares. The remaining 29.17 per cent of the shares are held by the public as at June 30, 2018 (December 31, 2017: 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 companies:

	Six months ended June 30,	
HK$ million	**2018**	2017
Sales of services:		
– Fellow subsidiaries		
Office leases rental	**1**	1
– Related companies		
Facility management services	**4**	4
Office leases rental	**6**	—
Other services	**—**	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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

22. MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

b. Details of key management compensation

HK$ million	Six months ended June 30, 2018	2017
Salaries and other short-term employee benefits	**9**	9
Bonuses	**12**	—
Retirement scheme contribution	**1**	1
	22	10

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

HK$ million	As at June 30, 2018	As at December 31, 2017
Receivables from related parties:		
– Fellow subsidiaries	**1**	—
– Related companies	**4**	6
	5	6
Payables to related parties:		
– Fellow subsidiaries	**2**	—

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2018

23. FAIR VALUE ESTIMATION

a. Financial instruments carried at fair value

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 9 for disclosure of the investment properties that are measured at fair value.

	As at June 30, 2018			
HK$ million	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurement				
Assets				
Financial assets at fair value through profit or loss	**4**	**—**	**—**	**4**

	As at December 31, 2017			
HK$ million	Level 1	Level 2	Level 3	Total
Recurring fair value measurement				
Assets				
Financial assets at fair value through profit or loss	2	79	—	81

During the six months ended June 30, 2018 and the year ended December 31, 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, 2018

23. FAIR VALUE ESTIMATION – CONTINUED

b. Fair value of financial liabilities measured at amortised cost

All financial instruments are carried at amounts not materially different from their fair values as at June 30, 2018 and December 31, 2017 except as follows:

	As at June 30, 2018		As at December 31, 2017	
HK$ million	Carrying amount	Fair value	Carrying amount	Fair value
Guaranteed notes	**4,445**	**4,366**	4,422	4,545

The significant inputs required for the fair value measurement of the guaranteed notes are observable. The fair value of the guaranteed notes is within level 2 of the fair value hierarchy.

(i) 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 financial assets at fair value through profit or loss.

(ii) 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 as at December 31, 2017 comprises an investment in liquidity fund classified as financial assets at fair value through profit or loss.

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, 2018, 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, 2018, 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, 2018:

Name of director/ chief executive	Number of ordinary shares held: Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of shares of PCCW in issue
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%
Hui Hon Hing, Susanna	5,397,585	–	–	1,367,629 *(Note III)*	6,765,214	0.09%

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.

III. These interests represented awards made to Hui Hon Hing, Susanna which were subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.

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, 2018:

	Number of Share Stapled Units held					
Name of director/ chief executive	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Approximate percentage of the total number of Share Stapled Units in issue**
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%
Hui Hon Hing, Susanna	3,049,620	–	–	629,253 *(Note III)*	3,678,873	0.05%

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.

III. These interests represented awards made to Hui Hon Hing, Susanna which were subject to certain vesting conditions pursuant to the relevant award schemes of PCCW and HKT, namely the Purchase Scheme and the HKT Share Stapled Units Purchase Scheme.

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 positions in the 4.75% bonds due 2022 (the "2022 Bonds") issued by PCPD Capital, an associated corporation of the Company, held by the directors and the chief executives of the Company as at June 30, 2018:

	Principal amount of the 2022 Bonds held (US$)				
Name of director/ chief executive	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**
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.

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. Interests in Easy Treasure Limited ("Easy Treasure")

The table below sets out the aggregate long position in the shares issued by Easy Treasure, an associated corporation of the Company, held by the director of the Company as at June 30, 2018:

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

Note:

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

Save as disclosed in the foregoing, as at June 30, 2018, 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, 2018.

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, 2018, 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 (*Note*)

   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, 2018, 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, 2018, the Company had not been notified of any other person who had interests or short positions in the shares and underlying shares of the Company to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 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's unaudited condensed consolidated interim financial information for the six months ended June 30, 2018 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 ended June 30, 2018, 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 May 9, 2018 due to an urgent business trip. Prof Wong Yue Chim, Richard, the Independent Non-Executive Director, 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, 2018.

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
Hui Hon Hing, Susanna
(appointed as executive director effective from May 9, 2018)

Non-Executive Director

Dr Allan Zeman, GBM, GBS, JP

Independent Non-Executive Directors

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

COMPANY SECRETARY

Timothy Tsang
(appointed as company secretary effective from August 10, 2018)

REGISTERED OFFICE

Clarendon House 2 Church Street
Hamilton HM 11 Bermuda

INVESTOR RELATIONS

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Fax: +852 2514 2905

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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The Belvedere Building
69 Pitts Bay Road, Pembroke HM 08
Bermuda

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