Pacific Century Premium Developments
盈科大衍地產發展

PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED

盈 科 大 衍 地 產 發 展 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00432)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

The board of directors (the "Board") of Pacific Century Premium Developments Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended June 30, 2017. This interim financial information has not been audited but has been reviewed by the Company's Audit Committee and the Company's independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

SUMMARY

- Consolidated revenue decreased by 7 per cent to approximately HK$107 million
- Consolidated operating loss decreased by 33 per cent to approximately HK$125 million
- Loss attributable to equity holders of the Company amounted to approximately HK$148 million
- Basic loss per share: 9.33 Hong Kong cents
- The Board did not declare the payment of an interim dividend

REVIEW OF OPERATIONS

Property investment and development

Property investment in Indonesia

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

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

Property development in Japan

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

Property development in Thailand

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

Recreation and leisure

All-season recreational activities in Japan

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

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

Property management related services

Property management and facilities management in Hong Kong

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

Other businesses

Other businesses of the Group mainly include property management in Japan, property investment in Hong Kong and asset management in Mainland China. The revenue from these other businesses amounted to approximately HK$24 million for the six months ended June 30, 2017, as compared to approximately HK$23 million for the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Note	**For the six months ended June 30, 2017 (Unaudited)**	2016 (Unaudited)
Revenue	2	**107**	115
Cost of sales		**(25)**	(37)
Gross profit		**82**	78
General and administrative expenses		**(215)**	(208)
Other income		**8**	—
Other losses, net		**—**	(56)
Operating loss		**(125)**	(186)
Interest income		**23**	6
Finance costs		**(39)**	—
Loss before taxation	3	**(141)**	(180)
Income tax	4	**(7)**	(4)
Loss attributable to equity holders of the Company		**(148)**	(184)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences:			
Exchange differences on translating foreign operations		**100**	178
Total comprehensive loss		**(48)**	(6)
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	6	**(9.33) cents**	(11.62) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	Note	**As at June 30, 2017 (Unaudited)**	As at December 31, 2016 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	7	**3,747**	3,266
Property, plant and equipment		**236**	174
Properties under development		**420**	402
Properties held for development		**575**	544
Goodwill		**3**	3
Other financial assets		**—**	3
Prepayments and other receivables		**310**	273
		5,291	4,665
Current assets			
Sales proceeds held in stakeholders' accounts		**509**	510
Restricted cash		**94**	103
Trade receivables, net	8	**9**	10
Prepayments, deposits and other current assets		**112**	158
Amounts due from fellow subsidiaries		**2**	1
Amounts due from a related company		**1**	6
Other financial assets		**80**	4
Short-term deposits		**2,656**	3
Cash and cash equivalents		**1,639**	868
		5,102	1,663

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

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

Notes:

1. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated financial information of Pacific Century Premium Developments Limited (the "Company") and its subsidiaries (the "Group") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2016, 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, 2016.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial information are consistent with those used in preparing the Group's annual financial statements for the year ended December 31, 2016, except for the adoption of the following amendments to Hong Kong Financial Reporting Standards and HKASs ("new HKFRS") which are effective for the annual period beginning on January 1, 2017 but have no significant impact on the Group's reported results and financial position for the current and prior accounting periods:

HKAS 7 (Amendment)	Disclosure Initiative – Statement of Cash Flows
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendment)	Disclosure of interest in other entities

2. Revenue and Segment Information

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

HK$ million	Revenue						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,	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
All-season recreational activities in Japan	**69**	65	**—**	—	**69**	65	**18**	16	**3**	3
Property investment in Indonesia	**—**	—	**—**	—	**—**	—	**(28)**	(7)	**424**	437
Property development in Thailand	**—**	—	**—**	—	**—**	—	**(2)**	(3)	**2**	9
Property development in Japan	**—**	—	**—**	—	**—**	—	**(15)**	(6)	**68**	4
Property and facilities management in Hong Kong	**14**	27	**—**	—	**14**	27	**4**	5	**—**	—
Property development in Hong Kong	**—**	—	**—**	—	**—**	—	**(2)**	(3)	**—**	—
Property management in Japan	**14**	14	**—**	—	**14**	14	**4**	5	**—**	—
Other businesses (note a)	**10**	9	**1**	1	**11**	10	**1**	1	**—**	—
Elimination	—	—	**(1)**	(1)	**(1)**	(1)	**—**	—	**—**	—
Total of reported segments	**107**	115	**—**	—	**107**	115	**(20)**	8	**497**	453
Unallocated	—	—	**—**	—	—	—	**(121)**	(188)	**1**	7
Consolidated	**107**	115	**—**	—	**107**	115	**(141)**	(180)	**498**	460

2. Revenue and Segment Information - Continued

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

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

3. Loss Before Taxation

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

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

4. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2016: 16.5 per cent) on the estimated assessable profits for the period.

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

HK$ million	Six months ended June 30, 2017	2016
Current income tax		
- Hong Kong profits tax	**1**	1
- Income tax outside Hong Kong	**5**	2
Deferred income tax		
- Other origination and reversal of temporary differences	**1**	1
	7	4

5. Dividend

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

6. 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, **2017**	2016
Loss (HK$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	**(148)**	(184)

	Six months ended June 30, **2017**	2016
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**	1,587,721,445

Pursuant to the terms of the applicable deed poll, the bonus convertible notes will confer upon the holders the same economic interests attached to the bonus shares. The aggregated amount of HK$592,553,354.40 (2016: HK$592,553,354.40) outstanding bonus convertible notes which could be converted into 1,185,106,708 (2016: 1,185,106,708) fully paid ordinary shares of HK$0.50 each is included in the weighted average number of ordinary shares for calculating the basic loss per share for the six months ended June 30, 2017 and June 30, 2016.

7. Investment properties

Investment properties as at June 30, 2017 represents a property of approximately HK$3,695 million located in Indonesia (December 31, 2016: HK$3,214 million) which the construction is in progress and a completed property of approximately HK$52 million located in Hong Kong (December 31, 2016: HK$52 million). The movements of the carrying value of the investment properties during the period are as follows:

HK$ million	**2017**	2016
At January 1,	**3,266**	2,136
Additions	**424**	437
Exchange differences	**57**	57
At June 30,	**3,747**	2,630

8. Trade Receivables, net

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

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

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

9. Trade Payables

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

HK$ million	**As at June 30, 2017**	As at December 31, 2016
Current	**2**	23

FINANCIAL REVIEW

Review of results

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

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

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

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

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

Current assets and liabilities

As at June 30, 2017, the Group held current assets of approximately HK$5,102 million (December 31, 2016: HK$1,663 million), mainly comprising cash and bank balances, sales proceeds held in stakeholders' accounts, restricted cash and prepayments, deposits and other current assets. The increase in current assets is mainly attributable to the cash and bank balances including cash and cash equivalents and short-term deposits which increased from approximately HK$871 million as at December 31, 2016 to approximately HK$4,295 million as at June 30, 2017 due to the issue of US$570 million guaranteed notes net off by the repayment of bank borrowings of US$60 million. Sales proceeds held in stakeholders' accounts amounted to approximately HK$509 million as at June 30, 2017 (December 31, 2016: HK$510 million). The level of restricted cash has decreased to approximately HK$94 million as at June 30, 2017 from approximately HK$103 million as at December 31, 2016 as approximately HK$8 million parked in the interest reserve account pledged for the loan drawdown has been released during the reporting period. As at June 30, 2017, the current ratio was 6.59 (December 31, 2016: 1.51).

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

Capital structure, liquidity and financial resources

As at June 30, 2017, the Group's borrowings amounted to approximately HK$4,437 million (December 31, 2016: HK$457 million). The current reporting period balance represented the amortised cost of financial liabilities in respect of the guaranteed notes of US$570 million issued (equivalent to approximately HK$4,447 million) and the principal amount of Japanese Yen ("JPY") 403 million drawdown under the term loan facility of JPY 1,500 million (equivalent to approximately HK$104 million).

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

On March 9, 2017, the Group issued US$570 million 4.75% guaranteed notes ("Notes") due 2022, which are listed on the Singapore Exchange Securities Trading Limited.

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

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

The Group's borrowings were denominated in US dollars and Japanese Yen while the cash and bank deposits were held mainly in US dollars and Hong Kong dollars. The Group has foreign operations, and certain of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. As at June 30, 2017, the assets of the Group in Indonesia, Thailand and Japan represented approximately 40 per cent, 6 per cent and 7 per cent of the Group's total assets respectively. The Group's currency exposure with respect to these operations is subject to fluctuations in the exchange rates of Indonesian Rupiah, Thai Baht and Japanese Yen.

Cash used in operating activities in the six months ended June 30, 2017 was approximately HK$86 million, compared to cash used in operating activities in the amount of approximately HK$198 million for the corresponding period in 2016 as the Group received the deposits from pre-sale of properties and deferred rental income during the reporting period in 2017.

Income tax

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

Security on assets

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2017, the Group employed a total number of 283 staff in Hong Kong and overseas. The remuneration policies of the Group are in line with prevailing industry practices. Bonuses are paid on a discretionary basis taking into account factors such as performance of individual employees and the Group's performance as a whole. The Group provides comprehensive employee benefits, including medical insurance, a choice of provident fund or mandatory provident fund as well as training programs. The Group is also a participating member of the PCCW employee share incentive award schemes.

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

DIVIDENDS AND DISTRIBUTION

The Board did not declare an interim dividend to shareholders nor an interim distribution to bonus convertible noteholders for the six months ended June 30, 2017 (2016: Nil).

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended June 30, 2017 and has held one meeting during the period under review.

CORPORATE GOVERNANCE CODE

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

The Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months period ended June 30, 2017 except for the code provision E.1.2 as the Chairman of the Board was unable to attend the Company's annual general meeting held on March 10, 2017 due to an urgent business trip. Mr. Lee Chi Hong, Robert, the Deputy Chairman and Chief Executive Officer, chaired the annual general meeting pursuant to the Company's bye-laws and was available to answer questions.

OUTLOOK

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

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

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

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

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

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

Hong Kong, August 8, 2017

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

Executive Directors:

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

Independent Non-Executive Directors:

Prof Wong Yue Chim, Richard, SBS, JP; Dr Allan Zeman, GBM, GBS, JP; and Chiang Yun

** For identification only*