



Pacific Century
Premium Developments
盈科大衍地產發展

STOCK CODE: 00432

INTERIM REPORT 2016



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STATEMENT FROM THE CHAIRMAN

PCPD HAS MAINTAINED A HEALTHY AND SOLID BALANCE SHEET WHICH IS FAVOURABLE FOR THE GROUP TO SEIZE OTHER OPPORTUNITIES.



STATEMENT FROM THE CHAIRMAN

Monetary policy in advanced economies remains very accommodative, but with asymmetric shifts in the policy stance. In December 2015, the U.S. Federal Reserve raised policy rates from zero level for the first time since 2009, and it has communicated that any future policy actions will remain data dependent. It is generally expected that the interest rate in U.S. may be increased further in the second half of 2016.

On the other hand, the European Central Bank announced a package of further easing measures in March this year, comprising an expansion of its asset purchase program, including purchases of corporate bonds, new longer-term refinancing operations, and a further reduction in all policy rates. Moreover, the Bank of Japan introduced a negative interest rate on marginal excess reserves in late January 2016.

The global economy will inevitably face more challenges and turmoils in coming months. PCPD has maintained a healthy and solid balance sheet which is favourable for the Group to seize other opportunities. As at June 30, 2016, the Group

held current assets of approximately HK\$2,632 million while its total current liabilities amounted to approximately HK\$681 million. PCPD's cash reserve and debt position are likely to enable it to capture good opportunities of mega projects to the Group.

The existing three overseas projects in Japan, Indonesia and Thailand are progressing as scheduled. The management is also working hard to identify other potential investments. The Group is confident of a brilliant outlook for the years ahead.



Richard Li

Chairman

August 10, 2016

STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

THE GROUP WILL CONTINUE
TO SEEK PROJECTS WITH GOOD
RETURNS AND MANAGEABLE RISKS
AROUND THE WORLD.



STATEMENT FROM THE CHIEF EXECUTIVE OFFICER

The Group recorded a consolidated revenue of approximately HK\$115 million for the six months ended June 30, 2016, as compared to approximately HK\$99 million for the first six months of 2015. The consolidated operating loss of the Group for the period under review amounted to approximately HK\$186 million, as compared to operating loss of approximately HK\$114 million for the first half of 2015. The Group's consolidated loss attributable to equity holders of the Company for the first six months of 2016 totalled HK\$184 million, as compared to net loss of approximately HK\$112 million for the corresponding period last year. Basic loss per share for the six months ended June 30, 2016 was approximately 11.62 HK cents, as compared to the loss per share of approximately 7.08 HK cents for the same period the year before.

The Board of Directors did not declare an interim dividend for the first half of 2016.

The Group's Premium Grade A office building in Jakarta, Indonesia is due to complete in 2017. The construction works progressed well and reached topping-out stage. A number of multinational corporations, apart from Citibank Indonesia, Sotheby's Hong Kong Limited and FWD, have expressed interests to relocate their regional headquarters or Indonesia representative office to this premium building given its prime location and supreme quality. The Group is confident that the building will be in operation around 2017-18.

For the project in Hokkaido, Japan, the Group has entered into a hotel management agreement and other related agreements with Hyatt Hotels Group. The project is expected to comprise a Park Hyatt hotel and approximately 100 Park Hyatt-branded residences. The design works are underway and will be finalized shortly, PCPD plans to launch the project upon the award of the building permit.

For the project in Phang-nga, Thailand, PCPD is in early discussion with a local developer in the development of first phase of the project.

The Group will continue to seek projects with good returns and manageable risks around the world.



Robert Lee

Deputy Chairman and Chief Executive Officer

August 10, 2016

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, 2016 is set out below.

REVIEW OF OPERATIONS

Property investment and development

Property investment in Indonesia

The Group's investment, a Premium Grade A office building located at Sudirman CBD, is due to complete in 2017. The construction works progressed well and reached topping-out stage. A number of multinational corporations, apart from Citibank Indonesia, Sotheby's Hong Kong Limited and FWD, have expressed interests to relocate their regional headquarters or Indonesia representative office to this premium building. The development is scheduled to be in operation around 2017-2018.

Property development in Japan

The Group entered into a hotel management agreement and other related agreements with Hyatt Hotels Group in late 2015. The project will feature a Park Hyatt Hotel and approximately 100 branded residences in Niseko, Hokkaido where the Group's all-season recreational operation is located. The hotel is expected to open in 2019 with a selection of specialty restaurants, extensive meeting space, a golf clubhouse, a ski shop and valet, a destination spa, a fitness centre and a swimming pool. Design works are underway and the Group plans to launch the project by mid-2017.

Property development in Thailand

The preparation of the project in Phang-nga, southern Thailand is continuing. PCPD 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\$65 million for the six months ended June 30, 2016, as compared to approximately HK\$52 million for the corresponding period in 2015.

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\$27 million for the six months ended June 30, 2016, as compared to approximately HK\$24 million for the corresponding period in 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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\$23 million for the six months ended June 30, 2016, as compared to approximately HK\$23 million for the corresponding period in 2015.

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately HK\$115 million for the six months ended June 30, 2016, representing an increase of approximately 16 per cent from approximately HK\$99 million for the corresponding period in 2015.

The consolidated gross profit for the six months ended June 30, 2016 was approximately HK\$78 million, representing an increase of approximately 4 per cent from approximately HK\$75 million for the corresponding period in 2015. The gross profit margin for the six months ended June 30, 2016 was 68 per cent as compared to 76 per cent for the corresponding period in 2015. The decrease in gross profit margin was due to a one-off credit adjustment relating to the cost of sales of the previous property sales in 2015.

The general and administrative expenses were approximately HK\$208 million for the six months ended June 30, 2016, representing an increase of 14 per cent from approximately HK\$183 million for the corresponding period in 2015. Such increase was mainly due to the increase in professional and consultancy fee and staff cost incurred in the first half of 2016.

The Group reported a loss of HK\$60 million in "other losses, net" being the fair value adjustment of a call spread option ("Option") expired on June 27, 2016. The Option was purchased on June 25, 2015 for the purpose of managing the risk of foreign currency exposure arising from the Group's net investment in the foreign operation in Indonesia. There was no cash flow impact to the Group in the six months ended June 30, 2016.

The consolidated operating loss for the six months ended June 30, 2016 increased to approximately HK\$186 million, as compared to approximately HK\$114 million for the corresponding period in 2015. Such increase was mainly due to the recognition of fair value adjustment of the Option in 2016.

As a result of the above, the Group recorded a consolidated net loss after taxation of approximately HK\$184 million for the six months ended June 30, 2016, as compared to approximately HK\$112 million for the corresponding period in 2015. Basic loss per share during the period under review was 11.62 Hong Kong cents, as compared to basic loss per share of 7.08 Hong Kong cents for the corresponding period in 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Current assets and liabilities

As at June 30, 2016, the Group held current assets of approximately HK\$2,632 million (December 31, 2015: HK\$2,890 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 due to de-recognition of derivative financial instrument upon its expiry during the reporting period and the cash used in operation. Cash and bank balances (including cash and cash equivalents and short-term deposits) decreased by approximately 7 per cent from approximately HK\$1,816 million as at December 31, 2015 to approximately HK\$1,692 million as at June 30, 2016 for operational purpose while the development project in Indonesia was financed by a loan drawdown. Sales proceeds held in stakeholders' accounts amounted to approximately HK\$511 million as at June 30, 2016 (December 31, 2015: HK\$513 million). The level of restricted cash has increased to approximately HK\$103 million as at June 30, 2016 from approximately HK\$96 million as at December 31, 2015 as approximately HK\$7 million was parked in the interest reserve account pledged for the loan drawdown during the reporting period. As at June 30, 2016, the current ratio was 3.86 (December 31, 2015: 3.72).

As at June 30, 2016, the Group's total current liabilities amounted to approximately HK\$681 million, as compared to approximately HK\$777 million as at December 31, 2015.

Capital structure, liquidity and financial resources

As at June 30, 2016, the Group's borrowings amounted to approximately HK\$453 million (December 31, 2015: Nil) which represented the amortised cost of a financial liability in respect of the term loan with principal amount of US\$60 million (equivalent to approximately HK\$465 million) drawn down in 2016.

On January 21, 2014, the Group entered into agreements to obtain loan facilities by which the lenders syndicate would make available term loan facilities which in the aggregate shall not exceed US\$200 million, of which US\$140 million remained undrawn by the Group as at June 30, 2016.

As at June 30, 2016, the net debt-to-equity ratio was not applicable (as at December 31, 2015: not applicable) given the net debt was zero after deducting the aggregate of cash and cash equivalents and short-term deposits of HK\$1,692 million from the principal amount of borrowings of HK\$465 million.

The Group's borrowings were denominated in US dollars 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, 2016, the assets of the Group in Indonesia, Thailand and Japan represented approximately 47 per cent, 8 per cent and 10 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. On June 25, 2015, the Group has entered an Indonesian Rupiah/US dollars currency option with notional amount of US\$200 million to manage the Indonesian Rupiah currency exposure. Such option has been expired on June 27, 2016.

Cash used in operating activities in the six months ended June 30, 2016 was approximately HK\$198 million, compared to cash generated from operating activities in the amount of approximately HK\$115 million for the corresponding period in 2015 as the Group received net surplus proceeds distribution of Cyberport project in 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Income tax

The Group's income tax for the six months ended June 30, 2016 were approximately HK\$4 million, as compared to approximately HK\$5 million for the corresponding period in 2015.

Security on assets

As at June 30, 2016, certain assets of the Group and equity interests in companies within the Group with an aggregated carrying value of approximately HK\$2,795 million (December 31, 2015: HK\$2,268 million) and performance guarantee of approximately HK\$162 million (December 31, 2015: HK\$161 million) were mortgaged and pledged to the banks as security for the loan facilities.

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2016, the Group employed a total number of 275 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, 2016 (2015: Nil).

The Board did not recommend the payment of a final dividend for the year ended December 31, 2015.

OUTLOOK

In the first half of 2016, the financial market sentiments continued to be dominated by the expected timing of the next U.S. interest rate hike. In early July, the World Bank has downgraded its 2016 global growth forecast from 2.9 per cent which it announced in January to 2.4 per cent. The move is due to sluggish growth in advanced economies, stubbornly low commodity prices, weak global trade, and diminishing capital flows. In addition, the United Kingdom's decision to leave the European Union has cast the latest shadow on global economic outlook.

In view of macro-economic uncertainties, PCPD will be more cautious in seeking suitable projects. The Group intends to retain the cash and exercise appropriate leverage to fund the existing three overseas projects as well as to acquire potential projects that can offer good returns.

The construction works of the Group's Premium Grade A office building in Jakarta, Indonesia, are proceeding well. The building, named as Pacific Century Place Jakarta, has reached the topping-out stage. The Group is confident that the building will be completed and in operation around 2017-2018 and it is expected the building could generate recurrent income to the Group from this onwards. The leasing activities of the building are also in full swing with Citibank Indonesia, Sotheby's Hong Kong Limited and FWD have committed to take up part of the office spaces.

The other two projects in Hokkaido, Japan and Phang-nga, Thailand are also proceeding with their respective schedules.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Chairman

Mr Li, aged 49, is an Executive Director and the Chairman of Pacific Century Premium Developments Limited (“PCPD”), the Chairman of PCPD’s Executive Committee, 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 an Independent Non-Executive Director of The Bank of East Asia, Limited. He is also 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 65, is an Executive Director, the Deputy Chairman, the Chief Executive Officer of PCPD and a member of PCPD’s Executive Committee. He became a director of PCPD in May 2004. He is also an Executive Director of PCCW and a member of PCCW’s Executive Committee and is a Director of certain PCCW subsidiaries.

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

BOARD OF DIRECTORS

James CHAN

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

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

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

Mr Chan, aged 62, is an Executive Director, the Project Director of PCPD and a member of PCPD's Executive Committee. 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 37 years.

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

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof WONG Yue Chim, Richard, SBS, JP

Prof Wong, aged 64, is an Independent Non-Executive Director of PCPD, the Chairman of PCPD's Audit Committee and a member of PCPD's Remuneration Committee and Nomination Committee of the Board. He became a director of PCPD in July 2004.

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

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

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

Prof Wong is also an Independent Non-Executive Director of the following companies:

- (1) Link Asset Management Limited (the manager of Link Real Estate Investment Trust, a Hong Kong listed company); and
- (2) Industrial and Commercial Bank of China (Asia) Limited (withdrawal of listing of shares on The Stock Exchange of Hong Kong Limited since 21 December 2010).

Prof Wong was an Independent Non-Executive Director of CK Life Sciences Int'l., (Holdings) Inc. from June 2002 to May 2015.

Dr Allan ZEMAN, GBM, GBS, JP

Dr Zeman, aged 68, is an Independent Non-Executive Director of PCPD, the Chairman of PCPD's Nomination Committee of the Board and a member of PCPD's Audit Committee of the Board. He became a director of PCPD in June 2004.

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

Having lived in Hong Kong for over 45 years, Dr Zeman has been very involved in Government services as well as community activities. Dr Zeman also serves as a member of the Board of West Kowloon Cultural District Authority, and is the Chairman of its Performing Arts Committee. He

BOARD OF DIRECTORS

CHIANG Yun

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

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

Ms Chiang, aged 48, 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 22 years of private equity investment experience and is now a founding managing partner of Pacific Alliance Equity Partners, the private equity division of Pacific Alliance Group ("PAG"). Prior to joining PAG, she was a vice president in AIG Investment Corporation. She is currently an Independent Non-Executive Director of the following listed companies in Hong Kong:

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

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

- (3) Merlin Entertainments Plc.

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

FINANCIAL INFORMATION

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2016

HK\$ million	Note	2016 (Unaudited)	2015 (Unaudited)
Revenue	2	115	99
Cost of sales		(37)	(24)
Gross profit		78	75
General and administrative expenses		(208)	(183)
Other losses, net	3	(56)	(6)
Operating loss		(186)	(114)
Interest income		6	7
Loss before taxation	4	(180)	(107)
Income tax	5	(4)	(5)
Loss attributable to equity holders of the Company		(184)	(112)
Other comprehensive income/(loss):			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation differences:			
Exchange differences on translating foreign operations		178	(163)
Total comprehensive loss		(6)	(275)
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	7	(11.62) cents	(7.08) cents

The notes on pages 20 to 37 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2016

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

HK\$ million	2015 (Unaudited)						Total
	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserve	Retained earnings	
Balance at January 1, 2015	2,848	(565)	(438)	592	10	3,115	5,562
Total comprehensive loss for the period	—	—	(163)	—	—	(112)	(275)
Balance at June 30, 2015	2,848	(565)	(601)	592	10	3,003	5,287

The notes on pages 20 to 37 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2016

HK\$ million	Note	As at June 30, 2016 (Unaudited)	As at December 31, 2015 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	8	2,630	2,136
Property, plant and equipment		183	160
Properties under development		412	349
Properties held for development		546	525
Goodwill		3	3
Other financial assets		3	2
Prepayments and other receivables		229	200
		4,006	3,375
Current assets			
Sales proceeds held in stakeholders' accounts		511	513
Restricted cash		103	96
Trade receivables, net	10	6	7
Prepayments, deposits and other current assets		311	390
Amounts due from fellow subsidiaries	18(c)	1	1
Amount due from a related company	18(c)	3	3
Derivative financial instrument	9	—	60
Other financial assets		5	4
Short-term deposits		5	1
Cash and cash equivalents		1,687	1,815
		2,632	2,890

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2016

HK\$ million	Note	As at June 30, 2016 (Unaudited)	As at December 31, 2015 (Audited)
Current liabilities			
Trade payables	11	3	14
Accruals, other payables and deferred income		351	437
Amounts due to fellow subsidiaries	18(c)	2	1
Amount payable to the HKSAR Government under the Cyberport Project Agreement	12	322	322
Current income tax liabilities		3	3
		681	777
Net current assets		1,951	2,113
Total assets less current liabilities		5,957	5,488
Non-current liabilities			
Long-term borrowings	13	453	—
Other payables		210	189
Deferred income		26	25
Deferred income tax liabilities		20	19
		709	233
Net assets		5,248	5,255
CAPITAL AND RESERVES			
Issued equity	14	2,847	2,848
Reserves		2,401	2,407
		5,248	5,255

The notes on pages 20 to 37 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

HK\$ million	2016 (Unaudited)	2015 (Unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(198)	115
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(9)	(36)
Payment for investment properties	(390)	(283)
Distribution received from financial instrument liquidation	3	—
Purchase of derivative financial instrument	—	(62)
Increase in short-term deposits with maturity more than three months	(4)	(350)
NET CASH USED IN INVESTING ACTIVITIES	(400)	(731)
FINANCING ACTIVITIES		
Proceeds from bank borrowing	465	—
Borrowing costs paid	(6)	(3)
Repurchase of shares	(1)	—
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	458	(3)
DECREASE IN CASH AND CASH EQUIVALENTS	(140)	(619)
Exchange difference	12	(4)
CASH AND CASH EQUIVALENTS		
Balance at January 1,	1,815	2,466
Balance at June 30,	1,687	1,843
Analysis of cash and cash equivalents		
Cash and bank balances	1,692	2,193
Less: Short-term deposits	(5)	(350)
Cash and cash equivalents at June 30,	1,687	1,843

The notes on pages 20 to 37 form part of these unaudited condensed consolidated financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

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, 2015, 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, 2015.

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, 2015, 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, 2016 but have no significant impact on the Group’s financial statements:

HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 (Amendment)	Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation
HKAS 27 (Amendment)	Separate Financial Statements – Equity Method in Separate Financial Statements
HKAS 38 (Amendment)	Intangible Assets – Clarification of Acceptable Methods of Amortisation
HKFRS 10 and HKAS 28 (Amendments)	Consolidated Financial Statements – Sales or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Joint Arrangements – Accounting for acquisitions of interest in joint operation
Annual Improvements to HKFRS 2012-2014 Cycle	

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

2. REVENUE AND SEGMENT INFORMATION

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

HK\$ million	Revenue from external customers		Revenue		Reportable segment revenue		Results Segment results before taxation		Other information Addition to non-current segment assets	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
For the six months ended June 30,										
All-season recreational activities in Japan	65	52	—	—	65	52	16	11	3	34
Property investment in Indonesia	—	—	—	—	—	—	(10)	(12)	437	131
Property development in Thailand	—	—	—	—	—	—	(7)	(7)	9	4
Property development in Japan	—	—	—	—	—	—	(6)	(4)	4	1
Property and facilities management in Hong Kong	27	24	—	—	27	24	5	4	—	—
Property development in Hong Kong	—	—	—	—	—	—	(3)	10	—	—
Other businesses (note a)	23	23	1	—	24	23	6	4	—	—
Elimination	—	—	(1)	—	(1)	—	—	—	—	—
Total of reported segments	115	99	—	—	115	99	1	6	453	170
Unallocated	—	—	—	—	—	—	(181)	(113)	7	1
Consolidated	115	99	—	—	115	99	(180)	(107)	460	171

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

2. REVENUE AND SEGMENT INFORMATION – CONTINUED

HK\$ million	Assets		Liabilities	
	June 30, 2016	December 31, 2015	June 30, 2016	December 31, 2015
As at				
All-season recreational activities in Japan	160	119	12	18
Property investment in Indonesia	3,120	2,713	832	422
Property development in Thailand	550	530	10	9
Property development in Japan	486	409	11	9
Property and facilities management in Hong Kong	21	19	12	10
Property development in Hong Kong	607	609	431	433
Other businesses (note a)	96	111	19	41
Total of reported segments	5,040	4,510	1,327	942
Unallocated	1,598	1,755	63	68
Consolidated	6,638	6,265	1,390	1,010

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

3. OTHER LOSSES, NET

HK\$ million	Six months ended June 30,	
	2016	2015
Fair value loss on the derivative financial instrument	60	5
Fair value (gain)/loss on the financial assets at fair value through profit or loss	(1)	1
Gain on an impaired financial instrument upon liquidation	(3)	—
	56	6

4. LOSS BEFORE TAXATION

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

HK\$ million	Six months ended June 30,	
	2016	2015
Crediting:		
Gross rental income from investment property	1	1
Other rental income	6	7
Less: outgoings	(3)	(3)
Charging:		
Depreciation	9	7
Staff costs, included in:		
– cost of sales	11	10
– general and administrative expenses	76	62
Contributions to defined contribution retirement schemes	3	4
Share-based compensation expenses	2	2
Auditor's remuneration		
– audit services	2	3
Operating lease rental of land and buildings included in		
general and administrative expenses	21	18
Operating lease rental of equipment	1	1
Net foreign exchange (gain)/loss	(1)	2

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2015: 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,	
	2016	2015
Current income tax		
– Hong Kong profits tax	1	—
– Income tax outside Hong Kong	2	3
Deferred income tax		
– Other origination and reversal of temporary differences	1	2
	4	5

6. DIVIDEND

HK\$ million	Six months ended June 30,	
	2016	2015
Interim dividend	—	—

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

7. 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,	
	2016	2015
Loss (HK\$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	(184)	(112)
	<hr/>	
	Six months ended June 30,	
	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	1,587,721,445	1,587,775,022
	<hr/>	

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 (2015: HK\$592,553,354.40) outstanding bonus convertible notes which could be converted into 1,185,106,708 (2015: 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, 2016 and June 30, 2015.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

8. INVESTMENT PROPERTIES

HK\$ million	2016	2015
At January 1,	2,136	1,926
Additions	437	131
Exchange differences	57	(99)
At June 30,	2,630	1,958

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

HK\$ million	Fair value measurement as at June 30, 2016		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement			
Investment properties			
– Indonesia	—	—	2,578
– Hong Kong	—	—	52

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

8. INVESTMENT PROPERTIES – CONTINUED

HK\$ million	Fair value measurement as at December 31, 2015		
	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	—	—	2,084
– Hong Kong	—	—	52

9. DERIVATIVE FINANCIAL INSTRUMENT

On June 25, 2015, the Group executed an Indonesian rupiah/US dollar currency call spread option for a notional amount of US\$200 million with a tenor of one year (the “Option”). An option premium of US\$8 million (equivalent to HK\$62 million) was paid up-front. The Option was purchased for the purpose of managing the risk of foreign currency exposure arising from the Group’s net investment in the foreign operation in Indonesia. It is recognised as a derivative financial instrument at fair value. The Option expired on June 27, 2016. As at June 27, 2016, the fair value of the Option was nil (December 31, 2015: HK\$60 million). Upon the expiry of the Option, the derivative financial instrument has been de-recognised. The total fair value loss of HK\$60 million is recognised in “other losses, net” in the condensed consolidated statement of comprehensive income for the six months ended June 30, 2016.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

10. TRADE RECEIVABLES, NET

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

HK\$ million	As at June 30, 2016	As at December 31, 2015
Current	4	5
One to three months	2	2
	6	7

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

11. TRADE PAYABLES

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

HK\$ million	As at June 30, 2016	As at December 31, 2015
Current	3	13
More than three months	—	1
	3	14

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

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

HK\$ million	2016		
	Government share under the Cyberport Project Agreement (note a)	Others	Total
Balance at January 1, 2016, and June 30, 2016	322	—	322

HK\$ million	2015		
	Government share under the Cyberport Project Agreement (note a)	Others	Total
Balance at January 1, 2015	517	5	522
Reversal	(1)	(5)	(6)
Settlement during the period	(194)	—	(194)
Balance at June 30, 2015	322	—	322

- a. 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

13. LONG-TERM BORROWINGS

HK\$ million	As at June 30, 2016	As at December 31, 2015
Bank borrowing, secured:		
– Repayable over a year, but not exceeding two years	453	—

On January 21, 2014, indirect wholly-owned subsidiaries of the Company entered into USD facilities agreements (“USD Facility”) which the lenders would make available term loan facilities in an aggregate amount of US\$200 million, comprising a term loan facility for US\$140 million (the “USD Facility A”) and a term loan facility for US\$60 million (the “USD Facility B”), for financing the development of a Premium Grade A office building in Jakarta, Indonesia. The USD Facility must be repaid on or before six months after the completion of the building or December 31, 2017, whichever is earlier. The USD Facility are secured by the shares and assets of the indirect wholly-owned subsidiaries and one of the indirect wholly-owned subsidiaries is subjected to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2016, none of the covenants were breached. During the period ended June 30, 2016, one of the indirect wholly-owned subsidiaries made drawdown of US\$60 million under USD Facility B. No drawdown has yet been made by the Group under USD Facility A as at June 30, 2016.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

14. ISSUED EQUITY

	The Group	
	Number of shares	Issued equity
	(note a)	HK\$ million (note a)
Ordinary shares of HK\$0.50 each at January 1, 2015, June 30, 2015 and January 1, 2016	402,668,313	2,848
Shares repurchased and cancelled (note c)	(199,000)	(1)
Ordinary shares of HK\$0.50 each at June 30, 2016 (note d)	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.
- 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, 2015 and June 30, 2016	4,000,000,000	2,000
Issued and fully paid:		
Ordinary shares of HK\$0.50 each at January 1, 2015, June 30, 2015 and January 1, 2016	402,668,313	201
Shares repurchased and cancelled (note c)	(199,000)	—
Ordinary shares of HK\$0.50 each at June 30, 2016 (note d)	402,469,313	201

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

14. ISSUED EQUITY – CONTINUED

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

15. CAPITAL COMMITMENTS

HK\$ million	As at June 30, 2016	As at December 31, 2015
Contracted but not provided for		
Property development projects	21	19
Investment property	920	1,254
Property, plant and equipment	4	7
	945	1,280

16. GUARANTEES

Saved as disclosed elsewhere in the unaudited condensed consolidated financial information, on January 21, 2014, the Company and an indirect wholly-owned subsidiary had executed guarantees in favour of the lenders of the USD Facility, in the principal amount of US\$200 million granted to the indirect wholly-owned subsidiaries (note 13).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

17. BANKING FACILITY

Aggregate banking facilities as at June 30, 2016 were HK\$1,552 million (December 31, 2015: HK\$1,550 million) of which the unused facilities amounted to HK\$1,087 million (December 31, 2015: HK\$1,550 million)(note 13).

Security pledged for the banking facilities includes:

HK\$ million	As at June 30, 2016	As at December 31, 2015
Investment property	2,578	2,084
Property, plant and equipment	2	2
Other current assets	153	143
Restricted cash	7	—
Cash and cash equivalents	55	39
	2,795	2,268

Performance guarantee of approximately HK\$162 million in relation to the construction of the Premium Grade A office building in Jakarta, Indonesia was pledged for the banking facilities as at June 30, 2016 (December 31, 2015: HK\$161 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

18. MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by PCCW, a company incorporated in Hong Kong, which owns 70.83 per cent (December 31, 2015: 70.80 per cent) of the Company's shares. The remaining 29.17 per cent of the shares are held by public as at June 30, 2016 (December 31, 2015: 29.20 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:

HK\$ million	Six months ended June 30,	
	2016	2015
Sales of services:		
– Fellow subsidiaries		
Office leases rental	2	2
– Related companies		
Facility management services	15	14
Purchases of services:		
– Fellow subsidiaries		
Corporate services	1	1
Information technology and other logistic services	2	2

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

b. Details of key management compensation

HK\$ million	Six months ended June 30,	
	2016	2015
Salaries and other short-term employee benefits	8	9
Bonuses	9	8
Retirement scheme contribution	1	1
	18	18

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

18. MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

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

HK\$ million	As at June 30, 2016	As at December 31, 2015
Receivables from related parties:		
– Fellow subsidiaries	1	1
– Related company	3	3
	4	4
Payables to related parties:		
– Fellow subsidiaries	2	1

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2016

19. FAIR VALUE ESTIMATION

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

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

The following table analyses the Group's financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value treatment is categorised. See note 8 for disclosure of the investment properties that are measured at fair value.

HK\$ million	As at June 30, 2016			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
– Other financial assets	8	—	—	8

HK\$ million	As at December 31, 2015			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
– Derivative financial instrument	—	60	—	60
– Other financial assets	6	—	—	6
	6	60	—	66

During the six months ended June 30, 2016, 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, 2016

19. FAIR VALUE ESTIMATION – CONTINUED

a. Financial instruments in level 1

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

b. Financial instruments in level 2

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

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, 2016, 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, 2016, 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, 2016:

Name of director/ chief executive	Personal interests	Number of ordinary shares held			Other interests	Total	Approximate percentage of the total number of shares of PCCW in issue
		Family interests	Corporate interests				
Li Tzar Kai, Richard	–	–	307,694,369 (Note I(a))	1,928,842,224 (Note I(b))	2,236,536,593	29.02%	
Lee Chi Hong, Robert	992,600 (Note II(a))	511 (Note II (b))	–	–	993,111	0.01%	

GENERAL INFORMATION

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

2. Associated Corporations of the Company – Continued

A. Interests in PCCW – Continued

Notes:

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

GENERAL INFORMATION

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

2. Associated Corporations of the Company – Continued

B. Interests in HKT Trust and HKT Limited

The table below sets out the aggregate long positions in the share stapled units (“Share Stapled Units”) jointly issued by HKT Trust and HKT Limited, an associated corporation of the Company, held by the directors and the chief executives of the Company as at June 30, 2016:

Name of director/ chief executive	Personal interests	Number of Share Stapled Units held			Total	Approximate percentage of the total number of Share Stapled Units in issue
		Family interests	Corporate interests	Other interests		
Li Tzar Kai, Richard	–	–	66,247,614 (Note I(a))	144,786,423 (Note I(b))	211,034,037	2.79%
Lee Chi Hong, Robert	50,924 (Note II(a))	25 (Note II(b))	–	–	50,949	0.0007%

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.

GENERAL INFORMATION

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

2. Associated Corporations of the Company – Continued

B. Interests in HKT Trust and HKT Limited – Continued

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.

Save as disclosed in the foregoing, as at June 30, 2016, 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, 2016.

GENERAL INFORMATION

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, 2016, 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, 2016, 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, 2016, 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, 2016, the Company repurchased a total of 199,000 ordinary shares of the Company on the Stock Exchange for the aggregate consideration of HK\$575,170 (excluding expenses). The repurchased shares were cancelled during the six months ended June 30, 2016. Details of the shares repurchased are as follows:

Period of repurchase	Number of shares repurchased	Price paid per share		Aggregate Consideration HK\$
		Highest HK\$	Lowest HK\$	
April 2016	199,000	2.92	2.87	575,170

Save as disclosed above, neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended June 30, 2016.

GENERAL INFORMATION

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, 2016 and has held one meeting during the period under review. Such condensed consolidated interim financial information has not been audited but has been reviewed by the Company's independent auditor.

CORPORATE GOVERNANCE CODE

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

The Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months period ended June 30, 2016, 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 4, 2016 due to an urgent business trip. Prof Wong Yue Chim, Richard, an independent non-executive director, chaired the annual general meeting pursuant to the Company's bye-laws and was available to answer questions.

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, 2016.

INVESTOR RELATIONS

LISTING

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

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

BOARD OF DIRECTORS

Executive Directors

Li Tzar Kai, Richard (*Chairman*)

Lee Chi Hong, Robert

(*Deputy Chairman and Chief Executive Officer*)

James Chan

Independent Non-Executive Directors

Prof Wong Yue Chim, Richard, SBS, JP

Dr Allan Zeman, GBM, GBS, JP

Chiang Yun

COMPANY SECRETARY

Tsang Sai Chung

REGISTERED OFFICE

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Bermuda

INVESTOR RELATIONS

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PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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