

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



Pacific Century
Premium Developments
盈科大衍地產發展

PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED

盈科大衍地產發展有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 00432)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED JUNE 30, 2019**

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, 2019. This interim financial information has not been audited but has been reviewed by the Company’s Audit Committee and the Company’s independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

SUMMARY

- Consolidated revenue increased by 25% to approximately HK\$207 million
- Consolidated operating loss decreased by 48% to approximately HK\$56 million
- Loss attributable to equity holders of the Company amounted to approximately HK\$156 million
- Basic loss per share: 9.82 Hong Kong cents
- The Board did not declare an interim dividend

REVIEW OF OPERATIONS

Property investment

Indonesia

Pacific Century Place, Jakarta, the Group's premium Grade A office building in Jakarta, performed satisfactorily. The gross rental income attributable to Pacific Century Place, Jakarta amounted to approximately HK\$95 million for the six months ended June 30, 2019 as compared to approximately HK\$59 million for the corresponding period in 2018.

Strategically located within the Sudirman CBD of Jakarta, the 40-storey building is recognised as a leader in sustainability. Its prime location and diversified tenant mix have successfully enhanced the leasing performance. During the period under review, 85% of office space has been reserved or committed.

Property development

Japan

Solid progress has been made at the Park Hyatt Niseko, Hanazono and Park Hyatt Niseko Hanazono Residences ("Branded Residences"). They are expected to be completed in the fourth quarter of 2019. The 100-room Park Hyatt Niseko, Hanazono which comprises a selection of specialty restaurants, meeting spaces, spa and wellness facilities, is scheduled to be opened in early 2020.

The Branded Residences are well received by global investors. To date, over 90% of the units were sold or reserved. The Group will continue to market the remaining units at appropriate prices.

Thailand

In December 2018 and June 2019 respectively, the Group announced the construction of a 18-hole golf course and a golf and country club at its project site located in Phang Nga, southern Thailand ("Site").

The development of the golf course and the golf and country club will create a recreation destination for golfers, residents and visitors of the region, which in turn would support the overall development of the Site as a residential property development and a resort destination.

The Group has also commenced the design and infrastructure work for the first phase of the Site, in particular for the development of villas. The Group expects to begin the sales of villas in the second half of 2019.

Hong Kong

The Group intends to redevelop 3-6 Glenealy in Central into either a luxury residence or for commercial use, subject to obtaining relevant government approvals.

Recreation and leisure

Japan

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

The Group's revenue from its all-season recreational activities amounted to approximately HK\$79 million for the six months ended June 30, 2019, as compared to approximately HK\$75 million for the corresponding period in 2018. The recreational operation in Japan is seasonal as over 70% of the revenue is reported in the first half of the year. For the twelve months ended June 30, 2019, the recreational operation reported revenue of approximately HK\$112 million comparing to the same twelve months ended June 30, 2018 of approximately HK\$102 million.

Property and facilities management

Hong Kong and Japan

The Group provides professional property management and facilities management services in Hong Kong and property management services in Japan and generated revenue of approximately HK\$30 million for the six months ended June 30, 2019, as compared to approximately HK\$29 million for the corresponding period in 2018.

Other businesses

Other businesses of the Group mainly include property investment in Hong Kong. The revenue from these other businesses amounted to approximately HK\$3 million for the six months ended June 30, 2019, as compared to approximately HK\$2 million for the corresponding period in 2018.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK\$ million	Note	For the six months ended June 30,	
		2019	2018
		(Unaudited)	(Unaudited)
Revenue	2	207	165
Cost of sales		<u>(31)</u>	<u>(27)</u>
Gross profit		176	138
General and administrative expenses		(232)	(254)
Other income		—	4
Other gains, net		—	1
Surplus on revaluation of investment properties		<u>—</u>	<u>4</u>
Operating loss		(56)	(107)
Interest income		8	24
Finance costs		<u>(93)</u>	<u>(102)</u>
Loss before taxation	3	(141)	(185)
Income tax	4	<u>(15)</u>	<u>(13)</u>
Loss attributable to equity holders of the Company		<u>(156)</u>	<u>(198)</u>
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		<u>218</u>	<u>(133)</u>
Total comprehensive income/(loss)		<u>62</u>	<u>(331)</u>
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	6	<u>(9.82) cents</u>	<u>(12.49) cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK\$ million	Note	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	7	3,717	3,599
Property, plant and equipment		2,029	1,328
Right-of-use assets		83	101
Properties under development		295	364
Properties held for development	8	2,639	2,822
Goodwill		5	5
Restricted cash		—	217
Prepayments and other receivables		<u>314</u>	<u>407</u>
		<u>9,082</u>	<u>8,843</u>
Current assets			
Properties under development		1,017	770
Sales proceeds held in stakeholders' accounts		507	507
Restricted cash		432	98
Trade receivables, net	9	11	19
Prepayments, deposits and other current assets		589	462
Amounts due from fellow subsidiaries		1	1
Amounts due from related companies		7	4
Financial assets at fair value through profit or loss		4	4
Cash and cash equivalents		<u>701</u>	<u>864</u>
		<u>3,269</u>	<u>2,729</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

HK\$ million	Note	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Current liabilities			
Short-term borrowings		1,325	—
Current portion of long-term borrowings		11	11
Trade payables	10	6	14
Accruals and other payables		398	335
Deferred income and contract liabilities		430	309
Lease liabilities		42	41
Amount payable to the HKSAR Government under the Cyberport Project Agreement		323	322
Current income tax liabilities		7	7
		2,542	1,039
Net current assets		727	1,690
Total assets less current liabilities		9,809	10,533
Non-current liabilities			
Long-term borrowings		5,310	6,083
Other payables		172	171
Deferred income and contract liabilities		84	81
Lease liabilities		42	62
Deferred income tax liabilities		33	30
		5,641	6,427
Net assets		4,168	4,106
CAPITAL AND RESERVES			
Issued equity		2,846	2,846
Reserves		1,189	1,127
Capital and reserves attributable to equity holders of the Company		4,035	3,973
Non-controlling interests		133	133
		4,168	4,106

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, 2018, 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, 2018.

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, 2018, except for the adoption or early adoption of new/revised HKFRS and HKAS.

Adoption of new/revised accounting standards

The Group has adopted the following new/revised accounting standards which are relevant to the Group’s operations and are mandatory for the six months period ended June 30, 2019:

HKFRS 9 (Amendment)	Prepayment Features with Negative Compensation
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRS 2015 – 2017 Cycle	

The adoption of HKFRS 9 (Amendment), HK(IFRIC) – Int 23 and Annual Improvements to HKFRS 2015 – 2017 Cycle had no significant impact on the Group’s accounting policies.

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 For the six months ended June 30,	<u>Revenue (note a)</u>						<u>Results</u>		<u>Other information</u>	
	<u>Revenue from external customers</u>		<u>Inter-segment revenue</u>		<u>Reportable segment revenue</u>		<u>Segment results before taxation</u>		<u>Additions to non-current segment assets</u>	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
All-season recreational activities in Japan	79	75	—	—	79	75	20	17	59	2
Property investment in Indonesia	95	59	—	—	95	59	53	23	7	40
Property development in Thailand	—	—	—	—	—	—	(6)	(5)	44	13
Property development in Japan	—	—	—	—	—	—	(23)	(20)	330	132
Property and facilities management in Hong Kong	15	14	—	—	15	14	3	4	—	—
Property development in Hong Kong	—	—	—	—	—	—	(14)	(3)	1	2,172
Property management in Japan	15	15	—	—	15	15	2	4	—	—
Other businesses (note b)	3	2	1	1	4	3	1	5	—	—
Elimination	—	—	(1)	(1)	(1)	(1)	—	—	—	—
Total of reported segments	207	165	—	—	207	165	36	25	441	2,359
Unallocated	—	—	—	—	—	—	(177)	(210)	4	4
Consolidated	207	165	—	—	207	165	(141)	(185)	445	2,363

- For the six months period ended June 30, 2019 and June 30, 2018, apart from the rental income from property investment in Indonesia and Hong Kong, certain revenue arising from all-season recreational activities in Japan and other businesses of HK\$124 million (2018: HK\$88 million), revenue of all other segments of HK\$83 million (2018: HK\$77 million) are recognised over time.
- Revenue from segment below the quantitative thresholds under HKFRS 8 "Operating Segments" is mainly attributable to property investment in Hong Kong. This segment has never met any of the quantitative thresholds for determining reportable segments.

2. Revenue and Segment Information - Continued

HK\$ million	<u>Assets</u>		<u>Liabilities</u>	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
As at				
All-season recreational activities in Japan	376	279	18	30
Property investment in Indonesia	4,421	4,241	413	413
Property development in Thailand	789	695	30	19
Property development in Japan	3,228	2,523	1,452	1,096
Property and facilities management in Hong Kong	17	17	2	1
Property development in Hong Kong	2,302	2,302	808	806
Property management in Japan	11	32	5	5
Other businesses (note c)	<u>72</u>	<u>71</u>	<u>8</u>	<u>8</u>
Total of reported segments	11,216	10,160	2,736	2,378
Unallocated	<u>1,135</u>	<u>1,412</u>	<u>5,447</u>	<u>5,088</u>
Consolidated	<u>12,351</u>	<u>11,572</u>	<u>8,183</u>	<u>7,466</u>

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

3. Loss Before Taxation

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

HK\$ million	For the six months ended June 30,	
	2019	2018
Crediting:		
Gross rental income from investment properties	96	60
Less: outgoings	(22)	(18)
Charging:		
Depreciation of property, plant and equipment	15	14
Depreciation of right-of-use assets		
- properties	21	18
- equipment and others	—	1
Staff costs, included in:		
- cost of sales	15	14
- general and administrative expenses	96	79
Contributions to defined contribution retirement schemes included in general and administrative expenses	3	3
Share-based compensation expenses	4	5
Auditor's remuneration		
- audit services	2	2
Net foreign exchange (gain)/loss	(12)	9
Short-term leases expenses	<u>3</u>	<u>4</u>

4. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the period.

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

HK\$ million	For the six months ended June 30,	
	2019	2018
Current income tax		
- Hong Kong profits tax	—	2
- Income tax outside Hong Kong	12	9
Deferred income tax		
- Other origination and reversal of temporary differences	<u>3</u>	<u>2</u>
	<u>15</u>	<u>13</u>

5. Dividend

HK\$ million	For the six months ended June 30,	
	2019	2018
Interim dividend	<u>—</u>	<u>—</u>

6. Loss per Share

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

Loss (HK\$ million)	For the six months ended June 30,	
	2019	2018
Loss for the purpose of calculating the basic and diluted loss per share	<u>(156)</u>	<u>(198)</u>

Number of shares	For the six months ended June 30,	
	2019	2018
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	<u>1,587,296,021</u>	<u>1,587,576,022</u>

Pursuant to the terms of the applicable deed poll, the bonus convertible notes confer upon the holders the same economic interests attached to the bonus shares. The aggregated amount of HK\$592,553,354.40 (June 30, 2018: HK\$592,553,354.40) outstanding bonus convertible notes which could be converted into 1,185,106,708 (June 30, 2018: 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, 2019 and June 30, 2018.

7. Investment Properties

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

HK\$ million	2019	2018
At January 1,	3,599	3,822
Additions	5	33
Surplus on revaluation of investment properties	—	4
Exchange differences	<u>113</u>	<u>(152)</u>
At June 30,	<u>3,717</u>	<u>3,707</u>

8. Properties Held For Development

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

The land in Thailand is held by the Group through a long-term operating lease agreement with the legal owners, 39% owned entities, established to hold the land, whose financial statements have been consolidated into these unaudited condensed consolidated financial information with the carrying amount of HK\$466 million (December 31, 2018: HK\$650 million). During the six months ended June 30, 2019, a portion of land and construction costs in relation to the construction of a golf course and a golf and country club of HK\$195 million and the land in relation to the first phase development of HK\$47 million have been transferred from properties held for development to property, plant and equipment and properties under development respectively.

The Group completed the acquisition of the property located at Nos. 3-6 Glenealy, Central, Hong Kong in March 2018. The consideration composed of (i) an initial cash consideration of HK\$2,018 million and an adjustment to initial cash consideration of HK\$146 million; and (ii) the allotment and issuance of one non-voting participating share of the Company's wholly-owned subsidiary to the seller which enables the seller the right to 50% of the dividend distributions of the development project. The fair value of the non-voting participating share is estimated to be approximately HK\$133 million (December 31, 2018: HK\$133 million) and is recognised as non-controlling interests and the carrying amount of HK\$2,173 million (December 31, 2018: HK\$2,172 million) was recorded as property held for development in the condensed consolidated statement of financial position as at June 30, 2019.

9. Trade Receivables, net

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

	As at June 30, 2019	As at December 31, 2018
HK\$ million		
1 – 30 days	10	11
31 – 90 days	<u>1</u>	<u>8</u>
	<u><u>11</u></u>	<u><u>19</u></u>

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.

10. Trade Payables

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

	As at June 30, 2019	As at December 31, 2018
HK\$ million		
1 – 30 days	<u><u>6</u></u>	<u><u>14</u></u>

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately HK\$207 million for the six months ended June 30, 2019, representing an increase of approximately 25% from approximately HK\$165 million for the corresponding period in 2018. The increase was mainly due to the increase in occupancy of the premium Grade A office building in Jakarta in Indonesia.

The consolidated gross profit for the six months ended June 30, 2019 was approximately HK\$176 million, representing an increase of approximately 28% from approximately HK\$138 million for the corresponding period in 2018. The gross profit margin for the six months ended June 30, 2019 was 85% as compared to 84% for the corresponding period in 2018.

The general and administrative expenses were approximately HK\$232 million for the six months ended June 30, 2019, representing a decrease of 9% from approximately HK\$254 million for the corresponding period in 2018. The decrease was mainly due to the foreign exchange gain arising from the re-translation of the financial liabilities of the Group during the period under review.

The consolidated operating loss for the six months ended June 30, 2019 decreased to approximately HK\$56 million, as compared to approximately HK\$107 million for the corresponding period in 2018. Such decrease was mainly due to the growth of operating profits generated from Pacific Century Place, Jakarta.

The Group recorded lower finance costs of HK\$93 million for the six months ended June 30, 2019, as compared to approximately HK\$102 million for the same period in 2018. The reduction was due to the increase in capitalisation of borrowing costs as a result of the increase in qualified assets. The consolidated net loss after taxation of approximately HK\$156 million for the six months ended June 30, 2019 was reported, as compared to approximately HK\$198 million for the corresponding period in 2018. Basic loss per share during the period under review was 9.82 Hong Kong cents, compared to a basic loss per share of 12.49 Hong Kong cents for the corresponding period in 2018.

Current assets and liabilities

As at June 30, 2019, the Group held current assets of approximately HK\$3,269 million (December 31, 2018: HK\$2,729 million), mainly comprising properties under development, 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 re-classification of certain properties held for/under development and restricted cash from non-current assets to become current assets as of June 30, 2019. Sales proceeds held in stakeholders' accounts remained at approximately HK\$507 million as at June 30, 2019 (December 31, 2018: HK\$507 million). The level of restricted cash in current assets increased to approximately HK\$432 million as at June 30, 2019 from approximately HK\$98 million as at December 31, 2018.

As at June 30, 2019, the Group's total current liabilities amounted to approximately HK\$2,542 million, as compared to approximately HK\$1,039 million as at December 31, 2018. The increase was mainly due to the re-classification of bank borrowings of approximately HK\$1,221 million from non-current liabilities to current liabilities according to the maturity dates of the respective bank borrowings. As at June 30, 2019, the current ratio was 1.29 (December 31, 2018: 2.63).

Capital structure, liquidity and financial resources

As at June 30, 2019, the Group's borrowings amounted to approximately HK\$6,646 million (December 31, 2018: HK\$6,094 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\$4,451 million), the total outstanding principal amount of Japanese Yen ("JPY") 14,485 million (equivalent to approximately HK\$1,053 million) under all JPY loan facilities together with principal amount of HK\$1,208 million drawdown under the Hong Kong dollar loan facilities.

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

On June 9, 2017, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement under which the lender had agreed to make available a term loan facility up to an aggregate amount of JPY1,500 million ("JPY Facility 2028") by December 2018. The maturity date of the JPY Facility 2028 is in December 2028. Such facility is secured by the land and buildings and a bank account of the indirect wholly-owned subsidiary and is subject to certain financial covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2019, none of the covenants were breached.

On March 19, 2018, an indirect non-wholly owned subsidiary of the Company entered into a loan agreement under which the lender had agreed to make available a loan facility up to an aggregate amount of HK\$808 million ("HK\$ Loan 2020"). The maturity date of the HK\$ Loan 2020 is in March 2020. Such facility is secured by the land and buildings, bank accounts, shares and other assets of certain indirect non-wholly owned subsidiaries of the Company. The Company and the indirect non-wholly owned subsidiary are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2019, none of the covenants were breached.

On March 29, 2018, an indirect wholly-owned subsidiary of the Company (the "Borrower") entered into a term loan facility agreement under which the lender agreed to make available term loan facilities up to an aggregate amount of JPY20,000 million by December 31, 2019. The facilities comprise (1) a JPY10,000 million facility for the construction of a branded residence ("JPY Facility 2021") which matures on February 14, 2020 with option to extend to March 31, 2021 and (2) a JPY10,000 million facility for the construction of a branded hotel ("JPY Facility 2023") with maturity date of March 31, 2023. Such facilities are secured by certain land and/or property, the reserve accounts, and ordinary and/or preferred shares of the Borrower and an indirect wholly-owned subsidiary (the "Hotel Operator"). The Borrower and the Hotel Operator are subject to certain financial ratio covenants which are commonly found in lending arrangements with financial institutions. As of June 30, 2019, none of the covenants were breached.

On June 11, 2019, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement under which the lender agreed to make available term loan facility up to an aggregate amount of HK\$1,170 million ("HK\$ Loan 2024"). The maturity date of the HK\$ Loan 2024 is in June 2024. Such facility is secured by the land and buildings, bank accounts, shares and other assets of certain indirect wholly-owned subsidiaries of the Company. The Company and the indirect wholly-owned subsidiary are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2019, none of the covenants were breached.

As at June 30, 2019, the net debt-to-equity ratio was 144.2% (as at December 31, 2018: 128.8%). The net debt is calculated from the aggregated principal amounts of borrowings of HK\$6,712 million less the aggregate of cash and cash equivalents of HK\$701 million.

The Group's borrowings are denominated in US dollars, Hong Kong dollars and Japanese Yen while the cash and bank deposits are held mainly in US dollars and Hong Kong dollars. The Group has foreign operations, and some of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. As at June 30, 2019, the assets of the Group in Indonesia, Thailand and Japan represented approximately 36%, 6% and 29% 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 for the six months ended June 30, 2019 is approximately HK\$26 million, as compared to cash used in operating activities in the amount of approximately HK\$2,225 million for the corresponding period in 2018 as the Group has made a cash payment in March 2018 of approximately HK\$2,164 million for its acquisition of interest in companies which hold properties in Hong Kong.

Income tax

The Group's income tax for the six months ended June 30, 2019 was approximately HK\$15 million, as compared to approximately HK\$13 million for the corresponding period in 2018. The increase was mainly due to the tax charges on the revenue earned from Pacific Century Place, Jakarta, our premium Grade A office investment.

Security on assets

As at June 30, 2019, certain assets of the Group with an aggregated carrying value of approximately HK\$8,557 million (December 31, 2018: HK\$4,089 million) are mortgaged and pledged to the banks as security for the loan facilities.

Contingent liabilities

In 2018, the Company's indirect wholly-owned subsidiary (the "Taxpayer") in Indonesia, received a tax assessment notice ("2018 Assessment") from the Indonesian tax office ("ITO") in relation to the creditability of value added tax ("VAT") arising from the acquisition of a plot of land in Jakarta, Indonesia in October 2013 ("Land VAT") which amounted to IDR183,834.4 million (approximately HK\$101.5 million).

Such Land VAT has been reported as creditable input VAT in the monthly VAT report for the period of October 2013 to compensate future output VAT after the tax assessment issued in 2014. However, after a tax re-audit which was performed in 2018, the ITO issued an assessment notice stating that the Land VAT is non-creditable, resulting in a tax underpayment of IDR183,834.4 million (approximately HK\$101.5 million) and a penalty of IDR183,834.4 million (approximately HK\$101.5 million). According to the tax assessment notice, the Taxpayer is required to pay the tax underpayment and penalty totalling IDR367,668.8 million (approximately HK\$203 million). The Group has filed an objection against the tax assessment in August 2018 and the ITO issued a decision letter to reject the Group's objection in July 2019. After consideration of professional advice, the Group remains of the view that the ITO has no basis to issue the 2018 Assessment and the Group is preparing to lodge an appeal to the tax court. The amounts of tax and penalty demanded in the assessment were paid in advance in August 2018 and have been included in "Prepayments, deposits and other current assets" in the condensed consolidated statement of financial position as at June 30, 2019. No provision for impairment was recognised for the VAT balance as at June 30, 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2019, the Group employed 631 staff in Hong Kong and overseas (inclusive of property management staff borne by owners' account and seasonal staff employed 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 select at its absolute discretion.

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, 2019 (2018: Nil).

The Board did not recommend the payment of a final dividend for the year ended December 31, 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2019, 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, 2019 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, 2019.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.pcpd.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2019 interim report will be despatched to shareholders of the Company and available on the above websites in due course.

OUTLOOK

The US Federal Reserve has cut interest rates in July 2019 for the first time in more than a decade. Market also believes there may be possibilities for another rate cut for the remaining of the year. Second half of 2019 would be challenging as trade friction between China and the United States, geopolitics and Brexit continue to cloud global economic sentiment.

In Japan, the government in May 2019 downgraded its economic assessment to "worsening" for the first time in over six years, signaling that the economy is heading into recession. It also planned to raise the consumption tax rate in October to 10% from 8%, a move that could dampen consumer spending.

Considering the macroeconomics and uncertainties, the Group would adjust its sales strategies and development plans accordingly. Meanwhile, the Group maintains cautious and prudent while exploring potential projects around the world, including Hong Kong and Southeast Asia.

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

Hong Kong, August 7, 2019

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

Executive Directors:

Li Tzar Kai, Richard; Benjamin Lam Yu Yee (Deputy Chairman and Group Managing Director); James Chan; and Hui Hon Hing, Susanna

Non-Executive Directors:

Lee Chi Hong, Robert (Non-Executive Chairman); and Dr Allan Zeman, GBM, GBS, JP

Independent Non-Executive Directors:

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

* For identification only