THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Pacific Century Premium Developments Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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)

VERY SUBSTANTIAL ACQUISITION

SUPPLEMENTAL AGREEMENT IN RELATION TO THE CONSTRUCTION OF HOTEL IN NISEKO, HOKKAIDO, JAPAN AND NOTICE OF SPECIAL GENERAL MEETING

Capitalised terms used in this cover page have the same meanings of those defined in this circular.

The letter from the Board is set out on pages 4 to 11 of this circular.

Notice convening the SGM to be held on Thursday, 19 March 2020 at 10:00 a.m. at Function Room 1-3, Level 3 IT Street, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed. Whether or not Shareholders are able to attend the SGM, they are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event no later than forty-eight (48) hours before the time appointed for holding the SGM (or any adjournment thereof). In calculating the period mentioned for depositing the form of proxy, no account is to be taken of any part of a day that is a public holiday. Completion and return of the form of proxy shall not preclude Shareholders from attending and voting in person at the SGM (or any adjournment thereof) should they so desire.

* *For identification only*

29 February 2020

CONTENTS

Page

DEFINITIONS	1
LETTER FROM THE BOARD	4
1. INTRODUCTION	4
2. THE SUPPLEMENTAL AGREEMENT	5
3. REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT	7
4. FINANCIAL EFFECTS OF THE TRANSACTION	8
5. LISTING RULES IMPLICATIONS	9
6. SGM	9
7. INFORMATION OF THE PARTIES	11
8. RECOMMENDATION	11
9. ADDITIONAL INFORMATION	11
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — MANAGEMENT'S DISCUSSION AND ANALYSIS	II-1
APPENDIX III — GENERAL INFORMATION	III-1
NOTICE OF SGM	SGM-1

DEFINITIONS

In this circular and the appendices to it, the following expressions have the following meanings unless the context requires otherwise:

"Adjusted Contract Sum for the Hotel and its related facilities"	JPY23,616,800,000 (equivalent to approximately HK$1,681,988,496), excluding consumption tax, being the adjusted contract sum payable by the Owner to the Contractor in respect of the Hotel Construction under the Supplemental Agreement
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors (as constituted from time to time)
"Company"	Pacific Century Premium Developments Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 00432)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Contractor"	Fujita/Iwata Chizaki Specified Construction Joint Venture
"Director(s)"	director(s) of the Company
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKT"	HKT Limited, a company incorporated in the Cayman Islands with limited liability, the share stapled units of HKT Trust and HKT Limited are listed on the main board of the Stock Exchange (stock code: 06823)
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hotel"	Park Hyatt Niseko, Hanazono

"Hotel Construction"	the transaction for design and construction of the Hotel and its related facilities by the Contractor for the Owner on land owned by the Owner
"JPY"	Japanese yen, the lawful currency of Japan
"Latest Practicable Date"	25 February 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Original Construction Contract"	a contract dated 20 July 2018 and entered into between the Owner and the Contractor relating to, inter alia, the design and construction of the Hotel
"Original Contract Sum"	JPY16,280,000,000, excluding consumption tax, being the contract sum payable by the Owner to the Contractor in respect of the Hotel Construction under the Original Construction Contract
"Owner"	Harmony TMK, a company incorporated in Japan with limited liability, and an indirect wholly-owned subsidiary of the Company
"PCCW"	PCCW Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 00008) and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States of America (ticker: PCCWY), which is indirectly holding approximately 70.88% of the total issued share capital of the Company as at the Latest Practicable Date
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)

"SGM"	the special general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, to approve, among other matters, the Supplemental Agreement and the transactions contemplated thereunder
"Share(s)"	ordinary share(s) of HK$0.50 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of share(s) of the Company from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Supplemental Agreement"	the supplemental agreement dated 24 December 2019 and entered into between the Owner and the Contractor which amends and supplements the Hotel Construction under the Original Construction Contract
"%"	per cent

References to time and dates in this circular are to Hong Kong time and dates.

Unless indicated otherwise, in this circular, translation of amounts in JPY into HK$ have been made at the rate of HK$0.07122 = JPY1 respectively for illustration purpose only. No representation is made that any amount in HK$ could have been or could be converted at such respective rates or at all.

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)

Executive Directors:
Li Tzar Kai, Richard
Benjamin Lam Yu Yee *(Deputy Chairman and Group Managing Director)*
Hui Hon Hing, Susanna

Non-Executive Directors:
Lee Chi Hong, Robert *(Non-Executive Chairman)*
Dr Allan Zeman, GBM, GBS, JP

Independent Non-Executive Directors:
Prof Wong Yue Chim, Richard, SBS, JP
Chiang Yun
Dr Vince Feng

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
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Principal Place of Business in Hong Kong:
8th Floor, Cyberport 2
100 Cyberport Road
Hong Kong

29 February 2020

To the Shareholders

Dear Sir/Madam

VERY SUBSTANTIAL ACQUISITION

SUPPLEMENTAL AGREEMENT IN RELATION TO THE CONSTRUCTION OF HOTEL IN NISEKO, HOKKAIDO, JAPAN AND NOTICE OF SPECIAL GENERAL MEETING

1. INTRODUCTION

Reference is made to the announcements of the Company dated 20 July 2018 and 24 December 2019 in relation to the Hotel Construction. On 24 December 2019, the Owner and the Contractor have entered into the Supplemental Agreement to supplement and amend certain terms of the Original Construction Contract.

* *For identification only*

Under the Original Construction Contract, the Owner has engaged the Contractor to design and construct the Hotel with a total gross floor area of 23,339 square meters. The Original Contract Sum, in the amount of JPY16,280,000,000, comprises the initial deposit (12.86%), the further deposit (20%), and six milestone payments (total 67.14%).

Under the Original Construction Contract, the construction of the Hotel and its related facilities should be completed by the end of November 2019. The Owner received a building inspection certificate from the Contractor which is certified by the authority as an indication that such construction has substantially completed. There was no delay in the completion of the construction works.

Neither party to the Original Construction Contract alleged any breach of the terms thereunder by the other party. In line with market practice, it was contemplated under the Original Construction Contract that there may be variation orders with regard to the Hotel Construction which could affect the quantum of the Original Contract Sum. It can be interpreted as such that the Supplemental Agreement merely confirms the final amount to be paid by the Company after all variation orders have been completed and finalized. Such practice is in line with the market norm of, and is not uncommon in, the construction industry in Japan.

The purpose of this circular is to provide you with, among other things, information on the Hotel Construction, which includes the relevant terms of the Supplemental Agreement, the financial effects of the transaction, the financial information of the Group and other information as required under the Listing Rules.

2. THE SUPPLEMENTAL AGREEMENT

A summary of key amendments made in relation to the Hotel and its related facilities under the Supplemental Agreement is as follows:

Date

24 December 2019 (with its deemed effective date being 29 November 2019)

Parties

(1) The Owner (as the owner)

(2) The Contractor (as the contractor)

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Adjusted Contract Sum for the Hotel and its related facilities

The Adjusted Contract Sum for the Hotel and its related facilities is JPY23,616,800,000 (equivalent to approximately HK$1,681,988,496) (excluding consumption tax).

The Adjusted Contract Sum for the Hotel and its related facilities will be funded by the Group's internal resources and bank financing.

The Adjusted Contract Sum for the Hotel and its related facilities comprises costs of construction and associated landscaping works for the Hotel and its related or ancillary facilities. The Adjusted Contract Sum for the Hotel and its related facilities was determined through arm's length negotiations between the Owner and the Contractor and is subject to assessment by administrative architect in due course.

Pursuant to the terms of the Original Construction Contract, the Adjusted Contract Sum for the Hotel and its related facilities is subject to further adjustments to cover variation works and other claims before the final account is settled. Such further adjustment reflects the updated construction costs (e.g. adjustment of cost taking into account of the quantities of works including variances in resources of labour, plant, associated site overheads as well as revised materials and equipment adopted in the finalized design comparing with the original design). The cost adjustment (if any) will be assessed by an administrative architect, whose role is similar to a quantity surveyor in Hong Kong construction industry, and agreed by both the Company and the Contractor. It is a common and normal process within the construction industry globally that the contracting parties would take one year after completion of the construction works or even longer to agree and settlement the final account for similar scale of construction works. Pursuant to the terms of the Original Construction Contract, there is no cap for such further adjustment, but based on the latest reasonable cost estimate available to the Company, the adjustment amount is unlikely to exceed 5% of the Adjusted Contract Sum for the Hotel and its related facilities.

Condition

The Supplemental Agreement is conditional upon the passing of a resolution as required pursuant to the Listing Rules at the duly convened SGM approving the Supplemental Agreement.

Save as disclosed, all other key terms under the Original Construction Contract shall remain unchanged and shall continue to be in full force and effect.

3. REASONS FOR AND BENEFITS OF THE SUPPLEMENTAL AGREEMENT

The parties entered into the Supplemental Agreement to document the Adjusted Contract Sum for the Hotel and its related facilities. The increase from the Original Contract Sum was mainly caused by: (1) construction costs associated with the increased gross floor area designated for the Hotel's operations; and (2) additional costs of construction and associated landscaping works not originally contemplated under the Original Construction Contract due to design plan changes and higher-than-expected construction material costs. Items (1) and (2) above attribute to approximately 64% and 36%, respectively, of the increase.

With regard to item (1) above, the corresponding total gross floor area designated for the Hotel and its ancillary operations has increased from 23,339 square meters to 29,650 square meters. Such increase was due to the changes introduced to the design plans for the Hotel and its related facilities. The relevant design plan changes took place after various rounds of discussions with the Hotel operator subsequent to the commencement of Hotel Construction. Such changes were made with a view to increasing the scope of the premium services to be provided by the Hotel and to enhance the Hanazono ski resort's position as a luxury tourist area. When the Original Construction Contract was signed, details of the design and operation plans for the Hotel have not yet been finalized. This is not an uncommon practice in the hotel construction industry. The areas concerned were originally ear-marked as part of a residential property of the Company geographically located adjacent to, and inter-linked with, the Hotel. After the design changes described above, the relevant areas are re-designated to become part of the Hotel's facilities. The decision to re-designate such areas to be used as high-end fine dining facilities for the Hotel was a commercial decision made and mutually agreed to by the Company and the Hotel operator after various rounds of discussion at a date after the Hotel Construction has already commenced under the Original Construction Contract. Construction of the adjacent residential property project (including the increased gross floor area under the Supplemental Agreement) is also carried out by the Contractor and commenced at the same time as the Hotel Construction, and has been completed (subject to rectifications) as at the Latest Practicable Date for the purpose of the residential property project. Re-designation of the area of the dining facilities of the Hotel is subject to the Shareholders' approval of the Supplemental Agreement at the SGM.

With regard to item (2) above, in accordance with the common practice in the construction industry globally, numerous variation orders and value engineering items have been made for the Hotel Construction. These variation orders and value engineering items must be made to effect, amongst other things, the revised layout plans, changes of building materials and use of certain mechanical, electrical and plumbing systems; all of these led to higher costs. The Adjusted Contract Sum for the Hotel and its related facilities takes into account additional costs for design changes and upgrading works which were not anticipated at the time when the parties entered into the Original Construction Contract and the costs for the Hotel's related or ancillary facilities. Such design changes and upgrading works are needed in order to meet the premium standards and operational needs of the Hotel.

It is the Company's vision to position the Hotel as an iconic hotel development in the region, so as to facilitate future developments of the entire site of around 2.7 million square meters at Niseko Hanazono, Hokkaido, Japan. The Hotel, being an iconic hotel development, has already attracted public attention by having the Japan Tourism Agency held the G20 Tourism Ministers' Meeting at the function village of the Hotel on 25 and 26 October 2019. Tourism leaders from a total of 28 countries attended this meeting, where delegates discussed the growing success of Kutchan, Hokkaido (the area where the Hotel is located) as an international hotspot for tourists and its unique position in the Japanese tourism landscape. The Hanazono Resort was chosen as the venue for hosting the majority of the proceedings of the 2 day meeting, confirming its presence in the Niseko/Kutchan region as a premier display of what makes the Niseko/Kutchan region a great holiday destination — powder snow and incredible terrain for skiing in winter, Japanese hospitality and stunning natural surroundings. It was an honour to showcase to international leaders what it means to be frontrunners in the Japanese holiday resort industry and display our hospitable and adventurous spirit.

As at the Latest Practicable Date, the construction of the Hotel and its related facilities (which include the increased total gross floor area designated for the Hotel) has substantially completed. The Hotel is expected to be fully operational within the first quarter of 2020.

The Board considers that the Supplemental Agreement is on normal commercial terms, the terms thereof are fair and reasonable and that such transaction is in the interests of the Company and the Shareholders as a whole. Legally and contractually, the Supplemental Agreement is conditional upon the passing of a resolution in the SGM.

4. FINANCIAL EFFECTS OF THE TRANSACTION

Under the Supplemental Agreement, the Original Contract Sum in the Original Construction Contact increased from JPY16,280,000,000 (equivalent to approximately HK$1,159,461,600) to the Adjusted Contract Sum for the Hotel and its related facilities of JPY23,616,800,000 (equivalent to approximately HK$1,681,988,496) (excluding consumption tax).

The Adjusted Contract Sum for the Hotel and its related facilities will be entirely funded by the Group's internal resources, while bank financing is also available as back-up source of funding in case of unexpected circumstances if necessary. As at the Latest Practicable Date, a sum of approximately JPY16,280,000,000 (equivalent to approximately HK$1,159,461,600) (excluding consumption tax), comprising 100% payment of the Original Contract Sum, has been paid according to the terms of the Original Construction Contract. Save for the Adjusted Contract Sum for the Hotel and its related facilities under the Supplemental Agreement, no other adjustments to the Original Contract Sum have been made. As at 31 December 2019, the Group had cash and bank balances of approximately HK$1,378 million. The Directors consider that the Hotel Construction and the transactions contemplated under the Supplemental Agreement will not have an immediate material effect on the earnings of the Group. The increase in construction cost has been capitalised to "Building and structures" within under the consolidated statement of financial position of the Group with the corresponding increase in the balance of "Accruals and other payables".

For the year ended 31 December 2019, the Group transferred the substantially completed Hotel building and its related facilities from construction in progress to buildings and structures within the Group's property, plant and equipment.

5. LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Supplemental Agreement exceeds 100%, the Supplemental Agreement constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

6. SGM

The notice of the SGM is set out on pages SGM-1 to SGM-3 of this circular. The SGM of the Company will be held on Thursday, 19 March 2020 at 10:00 a.m. at Function Room 1-3, Level 3 IT Street, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong, during which resolution will be proposed to the Shareholders to consider and, if thought fit, to approve, among other matters, the Supplemental Agreement and the transactions contemplated thereunder. For the purpose of the approval to be sought from the Shareholders, the transaction amount to be approved under the Supplemental Agreement will be JPY24,797,640,000 (equivalent to approximately HK$1,766,087,921), being the Adjusted Contract Sum for the Hotel and its related facilities plus a 5% buffer of the Adjusted Contract Sum for the Hotel and its related facilities for the adjustments for variation works and other Contractor's claims for the settlement of final account as mentioned in the sub-section headed "Letter from the Board — 2. The Supplemental Agreement — Adjusted Contract Sum for the Hotel and its related facilities" in this circular.

If any Shareholder is materially interested in the Supplemental Agreement, such Shareholder and his/her or its associates will be required to abstain from voting on the relevant resolution approving the transactions respectively contemplated under the Supplemental Agreement. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM in respect of the Supplemental Agreement and the transactions contemplated thereunder.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. The chairman of the SGM shall put the resolution to be proposed at the SGM by way of a poll according to bye-law 66(1) of the Company's bye-laws. After the conclusion of the SGM, the results of the poll will be published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.pcpd.com.

The register of members and the register of noteholders of bonus convertible notes of the Company will be closed from Friday, 13 March 2020 to Thursday, 19 March 2020, both days inclusive, during which period no transfer of Shares and bonus convertible notes of the Company will be effected.

The bonus convertible notes of the Company do not carry voting rights at any general meeting of shareholders of the Company. The noteholders can exercise the conversion rights at any time after the issue of bonus convertible notes, subject to the terms and conditions of the applicable deed poll constituting the bonus convertible notes.

In the case of Shares of the Company, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 12 March 2020.

In the case of bonus convertible notes of the Company, in order to be entitled to attend and vote at the SGM, the notice of conversion accompanied by the relevant note certificate and payment of the necessary amount should be surrendered to and deposited with the Company's registrar in respect of the bonus convertible notes, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for conversion into Shares not later than 4:30 p.m. on Thursday, 12 March 2020.

A form of proxy for use at the SGM is enclosed. The form of proxy can also be downloaded from the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.pcpd.com. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event no later than forty-eight (48) hours before the time appointed for holding the SGM (or any adjournment thereof). In calculating the period mentioned for depositing the form of proxy, no account is to be taken of any part of a day that is a public holiday. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM (or any adjournment thereof) should you so desire.

7. INFORMATION OF THE PARTIES

The Group is principally engaged in the development and management of premium-grade property and infrastructure projects as well as premium-grade property investments.

The Owner is principally engaged in property development in Japan.

The Contractor is principally engaged in contracting, planning, design, supervision, and consulting services for construction projects. The Contractor is an unincorporated joint venture held as to 90% by Fujita Corporation and 10% by Iwata Chizaki Inc. Fujita Corporation is a subsidiary of Daiwa House Industry Co., Ltd., which is listed on the Tokyo Stock Exchange.

8. RECOMMENDATION

The Directors, including the independent non-executive Directors, are of the view that the terms of the Supplemental Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, the Directors recommend all Shareholders to vote in favour of the resolution to be proposed at the SGM.

9. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Yours faithfully
On behalf of the Board
Pacific Century Premium Developments Limited
Benjamin Lam Yu Yee
Deputy Chairman and Group Managing Director

A. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 31 December 2017, 2018 and 2019 are disclosed in the following documents which have been published on the websites of the Stock Exchange (***http://www.hkexnews.hk***) and the Company (***http://www.pcpd.com***) and which can be accessed by the direct hyperlinks below:

- annual report of the Company for the year ended 31 December 2017 published on 3 March 2018 (pages 70 to 151):
https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0328/ltn20180328704.pdf

- annual report of the Company for the year ended 31 December 2018 published on 1 April 2019 (pages 67 to 152):
https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0401/ltn201904011468.pdf

- preliminary results announcement of the Company for the year ended 31 December 2019 published on 11 February 2020:
https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0211/2020021100632.pdf

B. INDEBTEDNESS

As at the close of business on 31 December 2019, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following bank borrowings and guaranteed notes:

	HK$ million
Borrowings, repayable within a period	
— not exceeding one year	1,528
— over one year, but not exceeding two years	11
— over two years, but not exceeding five years	7,321
— over five years	40
	8,900
Representing:	
Guaranteed notes	5,435
Bank borrowings	3,465
	8,900
Secured	3,465
Unsecured	5,435

Subsequent to 31 December 2019, the Group has repaid JPY10,000 million to partially settle one of its JPY bank facilities on 14 February 2020.

All the bank borrowings are guaranteed by the Company or the companies within the Group. As at 31 December 2019, the Group had HK$5,435 million guaranteed notes listed on the Singapore Exchange Securities Trading Limited. The guaranteed notes are irrevocable and unconditionally guaranteed by the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of the Group.

As confirmed by the Directors, there are no material defaults in payment of bank borrowings and guaranteed notes up to the Latest Practicable Date.

The Group leases various properties for the use of offices and staff quarters. These lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. As at 31 December 2019, the lease liabilities were approximately HK$78 million, of which approximately HK$44 million is due within 1 year, approximately HK$27 million is due more than 1 year but within 2 years and approximately HK$7 million is due after 2 years.

Contingent Liabilities

During the year ended 31 December 2018, the Company's indirect wholly-owned subsidiary (the "**Taxpayer**") in Indonesia received a tax assessment notice ("**2018 Assessment**") from the ITO in relation to the creditability of 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$102.6 million).

Such Land VAT has been reported as creditable input VAT in the monthly VAT report for the period of October 2013 to compensate future output VAT after the tax assessment issued in 2014. However, after a tax re-audit which was performed by the ITO 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$102.6 million) and a penalty of IDR183,834.4 million (approximately HK$102.6 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$205 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 lodged an appeal to the tax court in September 2019. The amounts of tax and penalty demanded in the assessment have been paid in advance in August 2018 and included in "Prepayments, deposits and other current assets" in the consolidated statement of financial position as at 31 December 2019. No provision of impairment has been recognised for the VAT balance as at 31 December 2019.

Charges

As at 31 December 2019, certain assets of the Group with an aggregated carrying value of approximately HK$10,323 million were mortgaged and pledged to the bank as security for the loan facility (31 December 2018: HK$4,089 million).

Save as disclosed above or as mentioned herein and apart from intra-group liabilities and normal trade payables, the Group did not have, at the close of business on 31 December 2019, any other debt securities issued and outstanding, or authorised or otherwise created but not issued, any other term loans, any other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills) or acceptance credits or material hire purchase commitments, any other mortgages and charges other than the aforesaid bank borrowings or any guarantees or any material finance lease commitments or material contingent liabilities.

C. WORKING CAPITAL

Taking into account the completion of the Hotel Construction and the financial resources available to the Group, including internally generated funds and available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements in absence of unforeseen circumstances, that is for at least 12 months following the date of this circular.

D. MATERIAL ADVERSE CHANGE

Save as disclosed, the Directors confirmed that as at the Latest Practicable Date, there had not been any material adverse change in the financial or trading position or outlook of the Group since 31 December 2019, the date to which the latest audited consolidated financial statements of the Group were made up.

E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Directors expect that the pace of the global economy remained slow throughout 2019. Trade disputes between the US and China and policy uncertainty continued to pressure the business confidence and investment decisions. The US Federal Reserve lowered its benchmark interest rates three times last year to support the economy.

In Hong Kong, due to the uncertain economic environment and political unrests, business sectors, especially the retail and tourism industries, had a difficult time in 2019. In response, the government announced stimulus packages to support the slowing economy since last quarter.

The IMF has revised the global economic growth forecast, which is projected to pick up to 3.3% in 2020, showing improvements in various countries. However, the recent outbreak of the coronavirus add uncertainty to global economic of 2020.

In Japan, the increase of sales tax and the trade tensions brought about a drop in private consumption. In 2020, benefitting from the forthcoming Olympic Games and strong tourism, the market expects to recover some ground. Meanwhile, the Group's project in Hokkaido, the Park Hyatt Niseko Hanazono started to operate in early 2020 and the handover of the Branded Residences is also in good progress.

Indonesia and Thailand performed fairly stable and their prospects look brighter as compared to other Asian Markets. Our commercial property at CBD of Jakarta showed a promising result in 2019 among its competitors. As for our project in Phang-nga, Thailand, construction work and sales continue to be on track.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is the management's discussion and analysis of the Group for each of the three years ended 31 December 2017, 2018 and 2019, as extracted from the annual reports of the Company for 2017 and 2018 and the results announcement of the Company for the year ended 31 December 2019:

(1) For the year ended 31 December 2017

The management's discussion and analysis of the audited consolidated financial results and operations relating to the business of the Group for the year ended 31 December 2017 is set out below.

REVIEW OF OPERATIONS

Property investment and development

Property investment in Indonesia

The construction work for PCP Jakarta, Indonesia, has been substantially completed and taken over by the building management in October 2017. Defect rectification work and post completion work to suit tenants' requests continues progressively.

Strategically located at Sudirman CBD of Jakarta, the 40-storey premium Grade A landmark office building has been awarded several green ratings and pre-certifications in the past few years. The award-winning building is unique for its environmentally friendly features and sustainability concept. The building is expected to welcome the majority of tenants such as Citibank Indonesia, Garena and Sotheby's Hong Kong Limited, to move in from beginning of 2018.

To date, approximately 69% of the office floor space has been reserved or committed. Some multinational corporations have also expressed interests in moving their regional headquarters or Indonesia representative offices to the building.

The Group's gross rental income amounted to approximately HK$3 million for 2017.

Property development in Japan

The Park Hyatt Hotel and Branded Residences at Hanazono in Niseko, Hokkaido, Japan, will be completed in late 2019. The project will comprise 114 luxury units of the first Park Hyatt Residences in Japan. 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 will be available.

In 2017, the Group has arranged several successful pre-sales events in Hong Kong, Japan and Singapore with 52 units have been sold or reserved. We anticipate launching the remaining units in Asia in the next two years.

Property development in Thailand

The preparation of the project in Phang-nga, southern Thailand is continuing as planned. The Group is in discussion with a local developer of the 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. Various facilities and recreational activities, including ski lift, ski equipment rental, ski school and snowmobile tours in winter and rafting tours and golfing in summer, are operated by the Group.

The Group's revenue from its all-season recreational activities amounted to approximately HK$96 million for the year ended 31 December 2017, as compared to approximately HK$92 million in 2016.

Property management related services

Property management and facilities management in Hong Kong

The Group provides exceptional property management and facilities management services to its clients in Hong Kong and generated revenue of approximately HK$28 million for the year ended 31 December 2017, as compared to approximately HK$47 million in 2016.

Other businesses

Other businesses of the Group mainly include property management in Japan, property investment in Hong Kong and asset management in Mainland China. The revenue from these other businesses amounted to approximately HK$37 million for the year ended 31 December 2017, as compared to approximately HK$35 million in 2016.

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately HK$164 million for the year ended 31 December 2017, representing a decrease of approximately 6% from approximately HK$174 million in 2016. The decrease was mainly due to the change of contracting model in relation to the provision of facilities management services that contractors are directly engaged by the customer and no contractor cost was chargeable to the customer by the Group starting 2017.

The consolidated gross profit of the Group for the year ended 31 December 2017 was approximately HK$127 million, representing an increase of approximately 8% from approximately HK$118 million in 2016.

The general and administrative expenses were approximately HK$435 million for the year ended 31 December 2017, representing an increase of 4% from approximately HK$418 million in 2016. Such increase was mainly due to increase in staff costs and more marketing expenses and professional fees spent in Park Hyatt Branded Residences at Niseko, Hokkaido, Japan during the year.

The consolidated operating loss for the year ended 31 December 2017 decreased to approximately HK$288 million, as compared to approximately HK$357 million in 2016. Such decrease was mainly due to the one-off fair value loss of the call spread option recognised in 2016.

After taking into account of higher finance costs after US$570 million guaranteed notes issued during the year, the Group recorded a consolidated net loss after taxation of approximately HK$340 million for the year ended 31 December 2017, as compared to approximately HK$364 million in 2016. Basic loss per share during the year under review was 21.44 Hong Kong cents, as compared to basic loss per share of 22.96 Hong Kong cents in 2016.

Current assets and liabilities

As at 31 December 2017, the Group held current assets of approximately HK$4,469 million (31 December 2016: HK$1,663 million), mainly comprising cash and bank balances, sales proceeds held in stakeholders' accounts, restricted cash and prepayments, deposits and other current assets. The increase in current assets was mainly attributable to the cash and bank balances including cash and cash equivalents and short-term deposits which increased by approximately 319% from approximately HK$871 million as at 31 December 2016 to approximately HK$3,652 million as at 31 December 2017 due to the issue of US$570 million guaranteed notes net off by the repayment of bank borrowings of US$60 million and payment of construction cost of development projects in Indonesia and Japan. Sales proceeds held in stakeholders' accounts amounted to approximately HK$508 million as at 31 December 2017 (31 December 2016: HK$510 million). The level of restricted cash decreased to approximately HK$98 million as at 31 December 2017 from approximately HK$103 million as at 31 December 2016 as approximately HK$8 million parked in the interest reserve account pledged for the loan drawdown has been released during the year. As at 31 December 2017, the current ratio was 4.91 (31 December 2016: 1.51).

As at 31 December 2017, the Group's total current liabilities amounted to approximately HK$910 million, as compared to approximately HK$1,102 million as at 31 December 2016. The decrease was mainly due to the repayment of bank borrowings offset by the interest payable for the guaranteed notes, the receipt of deposits from pre-sale of properties and deferred rental income during the year.

Capital structure, liquidity and financial resources

As at 31 December 2017, the Group's borrowings amounted to approximately HK$4,473 million (31 December 2016: HK$457 million). The carrying amount represented the amortised cost of financial liabilities in respect of the guaranteed notes of US$570 million issued (equivalent to approximately HK$4,454 million) and the principal amount of JPY785 million drawdown under the term loan facility of JPY1,500 million (equivalent to approximately HK$104 million).

On 21 January 2014, the Group entered into agreements to obtain loan facilities by which the lenders would make available term loan facilities in the aggregated amount of US$200 million ("**USD Facility**"). During the year ended 31 December 2017, the loan facility of US$60 million drawdown in 2016 has been fully repaid and such USD Facility has been cancelled.

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

On 9 June 2017, the Group entered into a term loan facility agreement with maturity date in December 2028. The aggregate amount of the facility shall not exceed JPY1,500 million (equivalent to approximately HK$104 million), of which JPY715 million (equivalent to approximately HK$50 million) remained undrawn by the Group as at 31 December 2017.

As at 31 December 2017, the net debt-to-equity ratio was 18.4% (31 December 2016: not applicable). The net debt is calculated from the principal face amount of borrowings of HK$4,508 million less the aggregate of cash and cash equivalents and short-term deposits of HK$3,652 million.

The Group's borrowings were denominated in US dollars and Japanese Yen while 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 31 December 2017, the assets of the Group in Indonesia, Thailand and Japan represented approximately 42%, 6% and 12% 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 year ended 31 December 2017 was approximately HK$320 million, as compared to cash used in operating activities of approximately HK$411 million in 2016 as the Group received the deposits from the pre-sale of properties and deferred rental income during the year.

Income tax

The Group's income tax for the year ended 31 December 2017 were approximately HK$26 million, as compared to approximately HK$18 million in 2016. The increase was mainly due to more overseas income tax payment especially in Indonesia.

Security on assets

As at 31 December 2017, certain assets of the Group with an aggregated carrying value of approximately HK$94 million were mortgaged and pledged to the bank as security for the loan facility and short-term performance bond.

The pledged assets and equity interests in companies within the Group with an aggregated carrying value of approximately HK$3,399 million and performance guarantee of approximately HK$161 million as of 31 December 2016 have been released during the year of 2017 subsequent to the repayment and cancellation of the USD Facility.

Events after the reporting date

As disclosed in the joint announcement of PCCW and the Company dated 15 January 2018 (the "**Joint Announcement**") in relation to the proposed joint redevelopment of the properties at No. 3-6 Glenealy, Central, Hong Kong (the "**Properties**") by the Group and CSI Properties Limited, the Company, through its indirect wholly-owned subsidiary (the "**Purchaser**") will, subject to certain conditions as disclosed in the Joint Announcement, acquire the equity interest of the target group holding the Properties. Under the sale and purchase agreement, the consideration includes cash consideration of HK$2,018 million (subject to adjustments) and the allotment and issue of the non-voting participating share which is entitled to 50% of the dividends declared or distributions by the Purchaser. An initial deposit of HK$100 million was placed with the stakeholder on 15 January 2018. The transaction is expected to be completed in the first half of 2018. For details, please refer to the Joint Announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed a total number of 769 staff (inclusive of property management staff borne by owners' account) 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 performances 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 its shareholders at the Company's annual general meeting held on 6 May 2015, and became effective on 7 May 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 7 May 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 recommend the payment of a final dividend to shareholders nor a final distribution to bonus convertible noteholders for the year ended 31 December 2017 (2016: Nil).

The Board did not declare an interim dividend to shareholders nor an interim distribution to bonus convertible noteholders for the year ended 31 December 2017 (2016: Nil).

(2) For the year ended 31 December 2018

The management's discussion and analysis of the audited consolidated financial results and operations relating to the business of the Group for the year ended 31 December 2018 is set out below.

REVIEW OF OPERATIONS

Property investment

Indonesia

The Group's investment, PCP Jakarta, had a stable performance in 2018. Located in the heart of the Sudirman CBD of Jakarta, the 40-storey premium Grade A office building was awarded the final LEED Platinum Certification for commercial buildings in 2018.

During the year, the demand for premium office space remained healthy. To date, approximately 84% of the office floor space at PCP Jakarta, has been reserved or committed. We expect the state-of-the-art sustainable features of the building and the new facilities such as the gym and the food pavilion to be favourable to the office leasing market.

The Group's gross rental income amounted to approximately HK$138 million for the year ended 31 December 2018, as compared to approximately HK$3 million in 2017.

Property development

Japan

The project in Hokkaido, Japan will comprise the Park Hyatt Niseko, Hanazono and 114 luxury Branded Residences named Park Hyatt Niseko Hanazono Residences. 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 will be available.

In 2018, the Group arranged several successful sales events in Japan and Thailand. 98 units have been sold or reserved to date. The development is expected to be completed in late 2019.

Thailand

The Group is proceeding with the design of the first phase of the project in Phang-nga, South Thailand as well as commencing infrastructure construction.

In December 2018, the Group announced the construction of golf course and supporting facilities which are considered beneficial to the overall development.

Hong Kong

In January 2018, the Group acquired 3-6 Glenealy in Central and planned to redevelop it 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. Various facilities and recreational activities, including ski lifts, ski equipment rental, a ski school and snowmobile tours in winter and rafting tours and golfing in summer, are operated by the Group.

The planning and construction of the new ski centre and ski lifts are in progress, which we expect upon completion would be beneficial to the Group's all-season recreational operation located in Niseko, Hokkaido, Japan.

The Group's revenue from its all-season recreational activities amounted to approximately HK$108 million for the year ended 31 December 2018, as compared to approximately HK$96 million for 2017.

Property and facilities management

Hong Kong

The Group provides exceptional property management and facilities management services to its clients in Hong Kong and generated revenue of approximately HK$28 million for the year ended 31 December 2018, as compared to approximately HK$28 million in 2017.

Other businesses

Other businesses of the Group mainly include property investment in Hong Kong and asset management in Mainland China. The revenue from these other businesses amounted to approximately HK$5 million for the year ended 31 December 2018, as compared to approximately HK$17 million in 2017. The decrease in revenue was mainly due to the end of the asset management business in Mainland China at the end of December 2017.

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately HK$300 million for the year ended 31 December 2018, representing an increase of approximately 83% from approximately HK$164 million in 2017. The increase was mainly due to the full operation of the premium Grade A office building in Jakarta, Indonesia.

The consolidated gross profit of the Group for the year ended 31 December 2018 was approximately HK$250 million, representing an increase of approximately 97% from approximately HK$127 million in 2017. For the year ended 31 December 2018, the gross profit margin was 83% as compared to 77% in 2017.

The general and administrative expenses were approximately HK$489 million for the year ended 31 December 2018, representing an increase of approximately 13% from approximately HK$433 million in 2017. Such increase was mainly due to increases in building management costs and professional fees spent for the operation of PCP Jakarta and increased marketing expenses and professional fees were incurred for property development projects.

The consolidated operating loss for the year ended 31 December 2018 decreased to approximately HK$228 million, as compared to approximately HK$286 million in 2017. Such decrease was mainly due to the operating profits generated from PCP Jakarta.

The Group recorded higher finance costs of approximately HK$201 million for the year ended 31 December 2018, as compared to approximately HK$86 million for 2017, as the Group had fewer qualifying assets for borrowing costs to be capitalised during the year. The consolidated net loss after taxation of approximately HK$437 million for the year ended 31 December 2018 was reported, as compared to approximately HK$339 million in 2017. Basic loss per share during the year under review was 27.55 Hong Kong cents, as compared to basic loss per share of 21.38 Hong Kong cents in 2017.

Current assets and liabilities

As at 31 December 2018, the Group held current assets of approximately HK$2,729 million (31 December 2017: HK$4,469 million), mainly comprising properties under development held for sale, cash and bank balances, sales proceeds held in stakeholders' accounts, restricted cash and prepayments, deposits and other current assets. The decrease in current assets was mainly attributable to the combined effect of the following: (1) in a transaction where the Group acquired interests in companies which hold properties in Hong Kong, the Group made a cash payment in 2018 for approximately HK$2,164 million; and (2) certain properties under development which were non-current assets have been reclassified to become current assets. Sales proceeds held in stakeholders' accounts amounted to approximately HK$507 million as at 31 December 2018 (31 December 2017: HK$508 million). The level of restricted cash remained at approximately HK$98 million as at 31 December 2018 (31 December 2017: HK$98 million). As at 31 December 2018, the current ratio was 2.63 (31 December 2017: 4.80).

As at 31 December 2018, the Group's total current liabilities amounted to approximately HK$1,039 million, as compared to approximately HK$932 million as at 31 December 2017. The increase was mainly due to the combined effect of the following: (1) the receipt of deposits from the sale of properties; and (2) the decrease in trade payables and accruals and other payables.

Capital structure, liquidity and financial resources

As at 31 December 2018, the Group's borrowings amounted to approximately HK$6,094 million (31 December 2017: HK$4,473 million). The current reporting period balance represented the amortised cost of financial liabilities in respect of the guaranteed notes of US$570 million issued (equivalent to approximately HK$4,464 million), the drawdown of the principal amount of JPY1,500 million under the term loan facility of JPY1,500 million (equivalent to approximately HK$106 million), the drawdown of the principal amount of JPY10,980 million (equivalent to approximately HK$775 million) under the term loan facility of JPY20,000 million (equivalent to approximately HK$1,412 million) together with the HK$808 million drawdown under the Hong Kong dollar loan facility.

On 9 March 2017, PCPD Capital Limited ("**PCPD Capital**"), an indirect wholly-owned subsidiary of the Company, issued 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 9 June 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**"). The maturity date of the JPY Facility is in December 2028. Such facility is secured by the land and buildings and a bank account of the indirect wholly-owned subsidiary and the indirect wholly-owned subsidiary is subject to certain financial covenants which are commonly found in lending arrangements with financial institutions. As at 31 December 2018, none of the covenants were breached. As at 31 December 2018, JPY1,500 million (31 December 2017: JPY785 million) has been drawn down and the carrying value of the borrowing represents the loan drawdown of JPY1,500 million (31 December 2017: JPY785 million) offset by the deferred loan arrangement costs of JPY45 million (31 December 2017: JPY46 million).

On 19 March 2018, an indirect non-wholly owned subsidiary of the Company entered into a loan agreement under which the lender had agreed to make available a loan facility up to an aggregate amount of HK$808 million ("**HK$ Loan**"). The maturity date of the HK$ Loan is in March 2020. Such facility is secured by the land and buildings, bank accounts, shares and other assets of the indirect non-wholly owned subsidiaries and the indirect non-wholly owned subsidiary is subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at 31 December 2018, none of the covenants were breached and the carrying value of the borrowing represents the loan drawdown of HK$808 million offset by the deferred loan arrangement costs of HK$5 million.

On 29 March 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 31 December 2019. The facility comprises (1) a JPY10,000 million facility for the construction of a branded residence ("**JPY Facility 2021**") which matures on 14 February 2020 with option to extend to 31 March 2021 and (2) a JPY10,000 million facility for the construction of a branded hotel ("**JPY Facility 2023**") with maturity date of 31 March 2023. Such facilities are secured by certain land and/or property in case either one of the loans is in default, the reserve accounts, and ordinary and/or preferred shares of the Borrower and an indirect wholly-owned subsidiary (the "**Hotel Operator**"). The Borrower and the Hotel Operator are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at 31 December 2018, none of the covenants were breached and the carrying value of the borrowing represents the loan drawdown of JPY10,980 million offset by the deferred loan arrangement costs of JPY380 million.

As at 31 December 2018, the net debt-to-equity ratio was 128.8% (as at 31 December 2017: 18.4%). The net debt is calculated from the principal face amount of borrowings of HK$6,153 million less the cash and cash equivalents of HK$864 million.

The Group's borrowings were denominated in US dollars, Hong Kong dollars, and Japanese Yen while the cash and bank deposits were held mainly in US dollars and Hong Kong dollars. The Group has foreign operations, and certain of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. As at 31 December 2018, the assets of the Group in Indonesia, Thailand and Japan represented approximately 37%, 6% and 24% 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.

Net cash used in operating activities for the year ended 31 December 2018 was approximately HK$3,006 million, as compared to cash used in operating activities of approximately HK$274 million in 2017 as the Group has made a cash payment in March 2018 for approximately HK$2,164 million in its acquisition of interests in companies which hold properties in Hong Kong, and paid construction costs for the property development project in Japan.

Income tax

The Group's income tax for the year ended 31 December 2018 were approximately HK$48 million, as compared to approximately HK$26 million in 2017. The increase was mainly due to tax charges on the revenue earned from the premium Grade A office building in Jakarta.

Security on assets

As at 31 December 2018, certain assets of the Group with an aggregated carrying value of approximately HK$4,089 million were mortgaged and pledged to the bank as security for the loan facility (31 December 2017: HK$89 million). Asset with carrying value of approximately HK$5 million pledged for a short-term performance bond as of 31 December 2017 was released during the year of 2018.

Contingent liabilities

During the year ended 31 December 2018, the Company's indirect wholly-owned subsidiary (the "**Taxpayer**") in Indonesia, received a tax assessment notice ("**2018 Assessment**") from the Indonesian tax office ("**ITO**") in relation to the creditability of value added tax ("**VAT**") arising from the acquisition of a plot of land in Jakarta, Indonesia in October 2013 ("**Land VAT**") which amounted to IDR 183,834.4 million (approximately HK$98.4 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 during the year, the ITO issued an assessment notice stating that the Land VAT is non-creditable resulting a tax underpayment of IDR183,834.4

million (approximately HK$98.4 million) and a penalty of IDR183,834.4 million (approximately HK$98.4 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$197 million). After consideration of professional advice, the Group is of the view that the ITO has no basis to issue the 2018 Assessment and an objection has been filed to the ITO against the tax assessment in August 2018 and pending a reply from the ITO. The amounts of tax and penalty demanded in the assessment have been paid in advance in August 2018 and included in "Prepayments, deposits and other current assets" in the consolidated statement of financial position as at 31 December 2018. No provision for impairment has been recognised for the VAT balance as at 31 December 2018.

In addition to the above, the Taxpayer received tax assessment letters from the ITO in dispute of the applicable withholding tax rate that was applied on the shareholder's loan interest payments in the years 2014 and 2015. The tax underpayment including interest charge for the years of 2014 and 2015 amounted to IDR8,095 million (approximately HK$4 million) and IDR14,071 million (approximately HK$8 million) respectively and the Group has filed an objection for the assessments and pending a reply from the ITO. The amounts have been paid in advance in June 2018 and included in "Prepayment, deposits and other current assets" in the consolidated statement of financial position.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group employed a total number of 802 staff (inclusive of property management staff borne by owners' account) 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 performances 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 its shareholders at the Company's annual general meeting held on 6 May 2015, and became effective on 7 May 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 7 May 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 recommend the payment of a final dividend to shareholders nor a final distribution to bonus convertible noteholders for the year ended 31 December 2018 (2017: Nil).

The Board did not declare an interim dividend to shareholders nor an interim distribution to bonus convertible noteholders for the year ended 31 December 2018 (2017: Nil).

(3) For the year ended 31 December 2019

The management's discussion and analysis of the audited consolidated financial results and operations relating to the business of the Group for the year ended 31 December 2019 is set out below.

REVIEW OF OPERATIONS

Property investment and development

Property investment in Indonesia

The Group's investment, Pacific Century Place, Jakarta ("**PCP Jakarta**"), has shown a promising result in 2019.

During the period under review, the CBD office market remained competitive. To date, approximately 86% of the office floor space at PCP Jakarta, has been reserved or committed. We expect its innovative design and its wide array of amenities and services to continue to attract top-tier tenants around the world.

The Group's gross rental income amounted to approximately HK$217 million for 2019, as compared to approximately HK$138 million in 2018.

Property development in Japan

In Hokkaido, the Park Hyatt Niseko, Hanazono (the "**Hotel**") welcomed its first group of guests in January 2020 and the Park Hyatt Niseko Hanazono Residences' (the "**Branded Residences**") handover and inspection with owners has been continuing progressively since December 2019. To date, over 90% units have been sold. The Group will keep the last few remaining units to be sold at a later date with the expectation that these units may achieve record setting prices in Niseko, before we proceed with our next phase development.

The Group's revenue from its property development in Japan amounted to approximately HK$620 million for the year ended 31 December 2019.

Property development in Thailand

In Phang-nga, Thailand, construction of an 18-hole golf course, golf and country club and relevant infrastructure in the first phase is under way. The golf course and golf club are expected to be completed in the fourth quarter of 2020. The Group commenced sales of the first batch of villas in 2019.

Property development in Hong Kong

For the project of 3-6 Glenealy, Hong Kong, the Group has submitted a redevelopment plan to the Town Planning Board and it is subject to government approval.

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. A wide array of facilities and recreational activities, including a ski lift, ski equipment rentals, a ski school and snowmobile tours in winter and rafting tours and golfing in summer, are operated by the Group.

The new restaurant and entertainment centre, "Hanazono EDGE" has also been in operation since November 2019. Construction of the new ski lift is scheduled to commence later in 2020 and expected to complete before the snow season.

The Group's revenue from its all-season recreational activities amounted to approximately HK$111 million for the year ended 31 December 2019, as compared to approximately HK$108 million in 2018.

Property management related services

Property management and facilities management in Hong Kong

The Group provides exceptional property management and facilities management services for its clients in Hong Kong, and this business generated a revenue of approximately HK$30 million for the year ended 31 December 2019, as compared to approximately HK$28 million in 2018.

Other businesses

Other businesses of the Group mainly include property management in Japan and property investment in Hong Kong. The revenue from these other businesses amounted to approximately HK$37 million for the year ended 31 December 2019, as compared to approximately HK$26 million in 2018.

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately HK$1,015 million for the year ended 31 December 2019, representing an increase of approximately 238% from approximately HK$300 million in 2018. The increase was mainly due to sales of properties in Japan.

The consolidated gross profit of the Group for the year ended 31 December 2019 was approximately HK$546 million, representing an increase of approximately 118% from approximately HK$250 million in 2018. For the year ended 31 December 2019, the gross profit margin was 54% as compared to 83% in 2018.

The general and administrative expenses were approximately HK$620 million for the year ended 31 December 2019, representing an increase of 27% from approximately HK$489 million in 2018. Such increase was mainly due to increases in building management costs and professional fees spent for the operation of PCP Jakarta and increased marketing expenses and staff costs incurred for property development projects.

The consolidated operating loss for the year ended 31 December 2019 decreased to approximately HK$74 million, as compared to approximately HK$228 million in 2018. Such decrease was mainly due to the profit generated from the sales of properties in Japan.

The Group recorded lower finance costs of approximately HK$176 million for the year ended 31 December 2019, as compared to approximately HK$201 million for 2018, as the Group had more qualifying assets for borrowing costs to be capitalised during the year. The consolidated net loss after taxation of approximately HK$295 million for the year ended 31 December 2019 was reported, as compared to approximately HK$437 million in 2018. Basic loss per share during the year under review was 18.61 Hong Kong cents, as compared to basic loss per share of 27.55 Hong Kong cents in 2018.

Current assets and liabilities

As at 31 December 2019, the Group held current assets of approximately HK$4,683 million (31 December 2018: HK$2,729 million), mainly comprising properties under development/held for sale, cash and bank balances, sales proceeds held in stakeholders' accounts, restricted cash and prepayments, deposits and other current assets. The increase in current assets was mainly attributable to the following: (1) re-classification of certain properties held for/under development and restricted cash from non-current assets to become current assets as at 31 December 2019; and (2) increase in construction costs recognised in properties under development/held for sale. Sales proceeds held in stakeholders' accounts amounted to approximately HK$506 million as at 31 December 2019 (31 December 2018: HK$507 million). The level of restricted cash increased to approximately HK$594 million as at 31 December 2019 (31 December 2018: HK$98 million). As at 31 December 2019, the current ratio was 1.35 (31 December 2018: 2.63).

As at 31 December 2019, the Group's total current liabilities amounted to approximately HK$3,462 million, as compared to approximately HK$1,039 million as at 31 December 2018. The increase was mainly due to the aggregated effect of the following: (1) construction cost payment accrual for property development project in Hokkaido, Japan; (2) 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 and (3) the receipt of deposits from the sale of properties.

Capital structure, liquidity and financial resources

On 9 March 2017, PCPD Capital Limited ("**PCPD Capital**"), an indirect wholly-owned subsidiary of the Company, issued US$570 million 4.75% guaranteed notes ("**Notes**") due 2022, which are listed on the Singapore Exchange Securities Trading Limited. On 3 October 2019, further guaranteed notes (the "**Further Notes**") of US$130 million was issued by PCPD Capital. The Notes and the Further 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 9 June 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 31 December 2019, none of the covenants were breached.

On 19 March 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 31 December 2019, none of the covenants were breached.

On 29 March 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 31 December 2019. The facilities comprise (1) a JPY10,000 million facility for the construction of a branded residence ("**JPY Facility 2021**") which matures on 14 February 2020 with option to extend to 31 March 2021 and (2) a JPY10,000 million facility for the construction of a branded hotel ("**JPY Facility 2023**") with maturity date of 31 March 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 31 December 2019, none of the covenants were breached.

On 11 June 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 31 December 2019, none of the covenants were breached.

As at 31 December 2019, the net debt-to-equity ratio was 188.2% (as at 31 December 2018: 128.8%). The net debt is calculated from the aggregated principal amounts of borrowings of HK$8,950 million less the aggregate of cash and cash equivalents of HK$1,378 million.

The Group's borrowings were denominated in US dollars, Hong Kong dollars, and Japanese Yen while the cash and bank deposits were held mainly in US dollars and Hong Kong dollars. The Group has foreign operations, and certain of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. As at 31 December 2019, the assets of the Group in

Indonesia, Thailand and Japan represented approximately 29%, 6% and 40% 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 generated from operating activities for the year ended 31 December 2019 was approximately HK$82 million, as compared to cash used in operating activities of approximately HK$3,006 million in 2018. The increase in cash generated from operating activities was mainly due to the Group received proceeds from sale of properties during the year.

Income tax

The Group's income tax for the year ended 31 December 2019 were approximately HK$65 million, as compared to approximately HK$48 million in 2018. The increase was mainly due to the aggregated tax charge on (1) the revenue earned from PCP Jakarta, our premium Grade A office investment and (2) profit generated from sales of properties in Japan.

Security on assets

As at 31 December 2019, certain assets of the Group with an aggregated carrying value of approximately HK$10,323 million were mortgaged and pledged to the bank as security for the loan facility (31 December 2018: HK$4,089 million).

Contingent liabilities

During the year ended 31 December 2018, the Company's indirect wholly-owned subsidiary (the "**Taxpayer**") in Indonesia received a tax assessment notice ("**2018 Assessment**") from the ITO in relation to the creditability of 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$102.6 million).

Such Land VAT has been reported as creditable input VAT in the monthly VAT report for the period of October 2013 to compensate future output VAT after the tax assessment issued in 2014. However, after a tax re-audit which was performed by the ITO 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$102.6 million) and a penalty of IDR183,834.4 million (approximately HK$102.6 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$205 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 lodged an appeal to the tax court in September 2019. The amounts of tax and penalty demanded in the assessment have been paid in advance in August 2018 and included in "Prepayments, deposits and other current assets" in the consolidated statement of financial position as at 31 December 2019. No provision of impairment has been recognised for the VAT balance as at 31 December 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed a total number of 1,123 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 its shareholders at the Company's annual general meeting held on 6 May 2015, and became effective on 7 May 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 7 May 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 recommend the payment of a final dividend to shareholders nor a final distribution to bonus convertible noteholders for the year ended 31 December 2019 (2018: Nil).

The Board did not declare an interim dividend to shareholders nor an interim distribution to bonus convertible noteholders for the year ended 31 December 2019 (2018: Nil).

OUTLOOK

Please refer to the section headed "E. Financial and trading prospects of the Group" in Appendix I of this circular.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm to the best of their knowledge and belief that the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in shares, share stapled units, underlying shares, underlying share stapled units and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the Directors and the chief executives of the Company and their 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 SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have pursuant to such provisions of the SFO); or (b) were recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules:

(1) The Company

As at the Latest Practicable Date, the Company had not been notified of any interests or short positions in the Shares or underlying Shares or debentures of the Company held by the Directors or the chief executives of the Company or their associates.

(2) Associated Corporations of the Company

A. Interests in 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 the Latest Practicable Date:

Name of Director/ chief executive	Number of ordinary shares held Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of shares of PCCW in issue
Li Tzar Kai, Richard	—	—	307,694,369 *(Note I(a))*	1,928,842,224 *(Note I(b))*	2,236,536,593	28.97%
Lee Chi Hong, Robert	992,600 *(Note II(a))*	511 *(Note II(b))*	—	—	993,111	0.01%
Hui Hon Hing, Susanna	6,345,555	—	—	1,373,579 *(Note III)*	7,719,134	0.10%

Notes:

I. (a) Of these shares of PCCW, Pacific Century Diversified Limited ("**PCD**"), a wholly-owned subsidiary of Chiltonlink Limited ("**Chiltonlink**"), held 269,471,956 shares and Eisner Investments Limited ("**Eisner**") held 38,222,413 shares. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner.

(b) These interests represented:

(i) a deemed interest in 175,312,270 shares of PCCW held by Pacific Century Group Holdings Limited ("**PCGH**"). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 175,312,270 shares of PCCW held by PCGH; and

(ii) a deemed interest in 1,753,529,954 shares of PCCW held by Pacific Century Regional Developments Limited ("**PCRD**"), a company in which PCGH had, through itself and certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 88.58% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in

PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,753,529,954 shares of PCCW held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 1.06% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard.

II. (a) These shares were held jointly by Lee Chi Hong, Robert and his spouse.

(b) These shares were held by the spouse of Lee Chi Hong, Robert.

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

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 the Latest Practicable Date:

Name of Director/ chief executive	Number of Share Stapled Units held					Approximate percentage of the total number of Share Stapled Units of HKT Trust and HKT Limited in issue
	Personal interests	Family interests	Corporate interests	Other interests	Total	
Li Tzar Kai, Richard	—	—	66,247,614 *(Note I(a))*	158,764,423 *(Note I(b))*	225,012,037	2.97%
Lee Chi Hong, Robert	50,924 *(Note II(a))*	25 *(Note II(b))*	—	—	50,949	0.0007%
Hui Hon Hing, Susanna	3,484,532	—	—	561,589 *(Note III)*	4,046,121	0.05%

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

Notes:

I. (a) Of these Share Stapled Units, PCD held 20,227,614 Share Stapled Units and Eisner held 46,020,000 Share Stapled Units.

(b) These interests represented:

(i) a deemed interest in 13,159,619 Share Stapled Units held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 13,159,619 Share Stapled Units held by PCGH; and

(ii) a deemed interest in 145,604,804 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 145,604,804 Share Stapled Units held by PCRD.

II. (a) These Share Stapled Units were held jointly by Lee Chi Hong, Robert and his spouse.

(b) These Share Stapled Units were held by the spouse of Lee Chi Hong, Robert.

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

C. *Interests in PCPD Capital Limited ("PCPD Capital")*

The table below sets out the aggregate long positions in the 4.75% bonds due 2022 (the "**2022 Bonds**") issued by PCPD Capital, an associated corporation of the Company, held by the Director as at the Latest Practicable Date:

	Principal amount of the 2022 Bonds held (US$)				
Name of Director/ chief executive	Personal interests	Family interests	Corporate interests	Other interests	Total
Lee Chi Hong, Robert	2,250,000 *(Note)*	—	—	—	2,250,000

Note:

These 2022 Bonds were held jointly by Lee Chi Hong, Robert and his spouse.

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

The table below sets out the aggregate long position in the shares issued by Easy Treasure, an associated corporation of the Company, held by the Director as at the Latest Practicable Date:

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

Note:

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

As at the Latest Practicable Date, the Company had not been notified of any short positions in the shares, Share Stapled Units, underlying shares, underlying Share Stapled Units or debentures of the associated corporations of the Company held by the Directors or the chief executives of the Company or their associates.

(b) Substantial shareholder's interests and short positions in Shares and underlying Shares

(1) Interests in the Shares and underlying Shares

As at the Latest Practicable Date, the following person (other than the Directors or the chief executives of the Company) had interests in the Shares and underlying Shares, which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into the register required to be kept pursuant to 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 held by Asian Motion Limited ("**Asian Motion**"), a wholly-owned subsidiary of PCCW; and (b) an interest in 1,185,066,666 underlying Shares 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

As at the Latest Practicable Date, the Company had not been notified of any person who had short positions in the Shares or underlying Shares to be recorded in the register required, which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other person who had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Group which was not terminable by the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the Director had the following interests in businesses which competed or were likely to compete, either directly or indirectly, with the Group's business:

Name of Director	Name of company	Nature of business	Nature of interests
Li Tzar Kai, Richard	CK Hutchison Holdings Limited ("**CK Hutchison**") and its subsidiaries	Ports and related services, retail, infrastructure, energy and telecommunications	*Note*
	CK Asset Holdings Limited ("**CK Asset**") and its subsidiaries	Property development and investment, hotel and serviced suite operation, property and project management, investment in infrastructure and utility asset operation, brewery and pub operation and aircraft leasing	*Note*

Note:

Li Tzar Kai, Richard has a personal interest in 75,240 shares in each of CK Hutchison and CK Asset, and is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts which in turn are interested in certain shares of CK Hutchison and CK Asset. Certain businesses of CK Hutchison and CK Asset may compete with certain aspects of the businesses of the Group as at the Latest Practicable Date.

In addition, Li Tzar Kai, Richard is a director of certain private companies (the "**Private Companies**") which are engaged in property development and investment.

Further, Li Tzar Kai, Richard is a director and chairman of PCRD. PCRD is an investment holding company with interests in telecommunications and media (through PCCW), logistics, property and infrastructure investment and development in the Asia Pacific region.

The business interests of the Private Companies in Hong Kong are not significant when compared with the business of the Group and it is unlikely that such business interests will compete with the business of the Group. The business interests in Japan and the Asia Pacific region are also unlikely to compete with the existing business of the Group.

Li Tzar Kai, Richard has a controlling interest in some of the Private Companies. Further, he is or may be regarded as interested in PCRD and PCGH due to the interests as disclosed under the sub-section headed "Directors' and chief executives' interests and short positions in shares, share stapled units, underlying shares, underlying share stapled units and debentures of the Company and its associated corporations" in this appendix.

As PCRD and the Private Companies are involved in the development and/or investment of properties of different types and/or in different locations, the Group has been operating independently of, and at arm's length from, the businesses of those companies.

Save as disclosed above, none of the Directors or their associates had an interest in any business, apart from the Group's businesses, which competes or is likely to compete, either directly or indirectly, with the Group's businesses as at the Latest Practicable Date.

5. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

Save as disclosed in the following paragraph headed "Continuing connected transactions — Agreement for Lease of the Premises", as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

Save as disclosed in the sections headed "Connected Transactions and Continuing Connected Transactions" and "Related Party Transactions" of the annual report for the year ended 31 December 2018 of the Company and the following sub-section headed "Continuing connected transactions", as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the businesses of the Group.

Continuing connected transactions

1. *Agreement for Lease of the Premises*

As disclosed in the announcement of the Company dated 30 May 2019 (the "**2019 Announcement**"), the Company announced that, among other things, PT Prima Bangun Investama ("**PT PBI**", a wholly-owned subsidiary of the Company), as landlord, and PT FWD Life Indonesia ("**PT FWD**", an associate of Li Tzar Kai, Richard, a director of the Company), as tenant, had entered into a lease agreement (the "**2019 Lease Agreement**") on that day in relation to the key terms of the lease of west portion of 39th Floor of the building named Pacific Century Place ("**PCP**") for a term from 8 April 2019 to 1 July 2021 at the fees calculated in accordance with the terms of the 2019 Lease Agreement. Pursuant to Rule 14A.81 and Rule 14A.82 of the Listing Rules, the 2019 Lease Agreement shall be aggregated for the purposes of the compliance requirements under the Listing Rules with the lease agreement which was entered into between PT PBI as landlord and PT FWD as tenant on 23 July 2018 (the "**2018 Lease Agreement**") in relation to the key terms of the lease of a portion of 39th Floor of PCP from 2 July 2018 onwards for a term of three years at the fees calculated in accordance with the terms of the 2018 Lease Agreement, subject to an annual cap of IDR4,700 million (approximately HK$2.55 million, including rentals, service charges and parking charges) for each of the three years ending 1 July 2021 (the "**2018 Cap**") as disclosed in the announcement of the Company dated 23 July 2018. In the 2019 Announcement, it was also announced that the 2018 Cap was revised to IDR5,300 million (approximately HK$2.88 million) for each of the financial years ended 31 December 2019 and ending 31 December 2020, and IDR2,650 million (approximately HK$1.44 million) for the financial year ending 31 December 2021. The aggregate value of the revised 2018 Cap and the transactions contemplated under the 2019 Lease Agreement for the financial years ended 31 December 2019, ending 31 December 2020 and 31 December 2021 are to IDR9,275 million (approximately HK$5.04 million), IDR10,600 million (approximately HK$5.76 million) and IDR5,300 million (approximately HK$2.88 million) respectively.

2. *Project Management Services Agreement*

As disclosed in the announcement of the Company dated 29 August 2019, Partner Link Investments Limited ("**Partner Link**", a wholly-owned subsidiary of the Company) had entered into a project management services agreement (the "**Project Management Services Agreement**") with Antede Limited ("**Antede**", an associate of Li Tzar Kai, Richard, a director of the Company) on that day in relation to the project management services it provides to Antede for a term from 29 August 2019 to 31 December 2020 at the fees calculated in accordance with the terms of the Project Management Services Agreement, subject to the annual cap of HK$8.5 million for the financial year ended 31 December 2019 and the annual cap of HK$3 million for the financial year ending 31 December 2020.

3. Master Agreements for Supply and Procurement of Goods and Services

As disclosed in the announcement of the Company dated 27 December 2019, the Company announced that PCPD Operations Limited ("**PCPDOL**", an indirect wholly-owned subsidiary of the Company) had on that day entered into a new master agreement for supply and procurement of goods and services with each of the following parties: (i) PCCW Solutions Limited, an indirect wholly-owned subsidiary of PCCW (PCCW together with its subsidiaries, "**PCCW Group**"; PCCW Group excluding the Group and the HKT Group (as defined below), "**Parent Group**") (the agreement with this entity shall be referred to as the "**Parent Group 2019 Master Agreement**"); and (ii) Hong Kong Telecommunications (HKT) Limited ("**HKTL**"), an indirect wholly-owned subsidiary of HKT (HKT together with its subsidiaries, "**HKT Group**") (the agreement with this entity shall be referred to as the "**HKT Group 2019 Master Agreement**"). Such agreements set out the frameworks for the provision of certain goods and services by the Parent Group and the HKT Group respectively to the Group for a term of three years from 1 January 2020 to 31 December 2022 at prices to be determined in accordance with the terms stipulated therein and subject to the annual caps as disclosed below. The categories of goods and services as provided under (i) the Parent Group 2019 Master Agreement are (a) Information Technology Solutions and Services and (b) Corporate Services and Other Services, and those provided under (ii) the HKT Group 2019 Master Agreement are (a) Telecommunications and Related Equipment and Services and (b) Corporate Services and Other Services. Under the Parent Group 2019 Master Agreement, the annual cap for category of Information Technology Solutions and Services (not including those fully exempt as consumer goods and services) for the three financial years ending 31 December 2022 is HK$2 million, and the annual caps for category of Corporate Services and Other Services for the financial years ending 31 December 2020, 31 December 2021 and 31 December 2022 are HK$530,000, HK$530,000 and HK$540,000 respectively. Under the HKT Group 2019 Master Agreement, the annual cap for category of Telecommunications and Related Equipment and Services (not including those fully exempt as consumer goods and services) for the three financial years ending 31 December 2022 is HK$3 million, and the annual caps for category of Corporate Services and Other Services for the financial years ending 31 December 2020, 31 December 2021 and 31 December 2022 respectively are HK$9.27 million, HK$9.33 million and HK$9.39 million.

6. LITIGATION

As at the Latest Practicable Date, to the best of the knowledge of the Company, the Group was not engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the Group does not have material contracts (not being contracts entered into in the ordinary course of business) entered into by the members of the Group within the two years immediately preceding the issue of this circular.

8. MISCELLANEOUS

(a) The secretary of the Company is Mr. Timothy Tsang who is admitted as a legal practitioner in the State of New South Wales, Australia and as a solicitor in Hong Kong.

(b) The principal place of business of the Company in Hong Kong is at 8th Floor, Cyberport 2, 100 Cyberport Road, Hong Kong.

(c) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(d) The principal share registrar and transfer agent of the Company is MUFG Fund Services (Bermuda) Limited at 4th floor North, Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.

(e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(f) The bonus convertible note registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(g) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at 8th Floor, Cyberport 2, 100 Cyberport Road, Hong Kong for a period of 14 days from the date of this circular:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the two years ended 31 December 2017 and 2018;

(c) the preliminary results announcement of the Company for the year ended 31 December 2019;

(d) the letter from the Board as set out in this circular; and

(e) this circular.

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)

NOTICE OF SPECIAL GENERAL MEETING

Notice is hereby given that the special general meeting (the "**SGM**") of Pacific Century Premium Developments Limited (the "**Company**") will be held on Thursday, 19 March 2020 at 10:00 a.m. at Function Room 1-3, Level 3 IT Street, Core F, Cyberport 3, 100 Cyberport Road, Hong Kong, for the following purposes:

Ordinary Resolution

1. "**THAT**

(a) the supplemental agreement dated 24 December 2019 and entered into between the Owner and the Contractor which amends and supplements the Hotel Construction under the Original Construction Contract (the "**Supplemental Agreement**") (a copy of which is tabled at this meeting and marked "A" and initialled by the chairman of this meeting for the purpose of identification) and the transactions contemplated thereunder and in connection therewith be and are hereby approved, confirmed and ratified;

for the purpose of this resolution:

"**Contractor**" means Fujita/Iwata Chizaki Specified Construction Joint Venture;

"**Hotel**" means Park Hyatt Niseko, Hanazono;

"**Hotel Construction**" means the transaction for design and construction of the Hotel and its related facilities by the Contractor for the Owner on land owned by the Owner;

"**Original Construction Contract**" means a contract dated 20 July 2018 and entered into between the Owner and the Contractor relating to, inter alia, the design and construction of the Hotel; and

* *For identification only*

"**Owner**" means Harmony TMK, a company incorporated in Japan with limited liability, and an indirect wholly-owned subsidiary of the Company;

(b) a transaction amount of JPY24,797,640,000 under the Supplemental Agreement, representing the adjusted contract sum of JPY23,616,800,000 payable by the Owner to the Contractor for the Hotel and its related facilities in respect of the Hotel Construction (the "**Adjusted Contract Sum**") plus a 5% buffer of the Adjusted Contract Sum for the Hotel and its related facilities for the adjustments for variation works and other Contractor's claims for the settlement of final account, be and is hereby approved and confirmed; and

(c) any one director of the Company be and is hereby authorised to do all such acts and things and execute all such documents for and on behalf of the Company as he/she may consider necessary or desirable in connection with this resolution."

By Order of the Board
Pacific Century Premium Developments Limited
Timothy Tsang
General Counsel and Company Secretary

Hong Kong, 29 February 2020

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business in Hong Kong:
8th Floor, Cyberport 2
100 Cyberport Road
Hong Kong

Notes:

1. Any member entitled to attend and vote at the SGM (or any adjournment thereof) shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the SGM (or any adjournment thereof). A proxy needs not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he/she or they represent as such member could exercise.

2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

3. The form of proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be deposited with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than forty-eight (48) hours before the time appointed for holding the SGM (or any adjournment thereof) at which the person named in the instrument proposes to vote, otherwise the form of proxy shall not be treated as valid. In calculating the period mentioned for depositing the form of proxy, no account is to be taken of any part of a day that is a public holiday.

4. Completion and return of the form of proxy shall not preclude a member from attending and voting in person at the SGM (or any adjournment thereof), and in such event, the form of proxy shall be deemed to be revoked.

5. The register of members and the register of noteholders of bonus convertible notes of the Company will be closed from Friday, 13 March 2020 to Thursday, 19 March 2020, both days inclusive, during which period no transfer of shares and bonus convertible notes of the Company will be effected.

   (a) In the case of shares of the Company, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 12 March 2020; and

   (b) In the case of bonus convertible notes of the Company, in order to be entitled to attend and vote at the SGM (or any adjournment thereof), the notice of conversion accompanied by the relevant note certificate and payment of the necessary amount should be surrendered to and deposited with the Company's registrar in respect of the bonus convertible notes, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for conversion into shares of the Company not later than 4:30 p.m. on Thursday, 12 March 2020.

6. Where there are joint holders of any shares, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the SGM (or any adjournment thereof) personally or by proxy, one of the holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

7. In the event that a typhoon signal no. 8 or above is hoisted or a black rainstorm warning signal is in force on the day of the SGM (or any adjournment thereof), members are suggested to visit the Company's website at www.pcpd.com or to contact the Company's branch share registrar by telephone on (852) 2862 8648 for arrangements of the SGM (or any adjournment thereof).

8. References to time and dates in this notice are to Hong Kong time and dates.