



Pacific Century
Premium Developments
盈科大衍地產發展

STOCK CODE: 00432


INTERIM REPORT 2020



**BROADENING
OUR VISION**



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STATEMENT FROM THE NON-EXECUTIVE CHAIRMAN

PCPD's management team will continue to take a cautious approach in face of significant adversity and global uncertainties.

Since the outbreak of Covid-19, it has become a worldwide pandemic with millions of reported cases in over 150 countries. With many countries imposing extensive lock-down measures, the global economy has been hit severely and there had been a significant slowdown in economic activities in the first two quarters of 2020. The IMF forecasts that the global growth is projected at -4.9% in 2020. Many businesses have endured their worst difficulties since the global financial crisis. In view of this negative economic outlook, the Federal Reserve and other central banks announced a series of monetary stimuli to support the economies, such as holding the interest rate near zero. Governments around the world also implemented fiscal policy to stabilize employment and to help companies to survive this period of uncertainty. However, the global market has remained in the doldrums.

The economic impact of Covid-19 became more apparent in the second quarter. In Asia, those countries that rely heavily on tourism and export as their major sources of income were significantly affected. Japan, Thailand and Indonesia, where the Group's core developments and Investments are located, are currently facing different levels of challenges, including decline in consumption, supply chain disruption, delayed investment decisions and rising unemployment rates. Meanwhile, the increasingly stringent lockdown measures and social distancing restrictions put further downward pressure on their weakening economies.

In Hong Kong, the situation continued to evolve in the first half of the year. The government earlier announced the establishment of the Anti-epidemic Fund. A relief package worth over a hundred billion was introduced to help ease the financial burden of businesses and provide support for job retention and creation. As we all know, Hong Kong's economic fundamentals remain solid and with the support of the government, the local economic performance will likely improve gradually for the rest of the year. PCPD's management team will continue to take a cautious approach in face of significant adversity and global uncertainties.

On behalf of PCPD, I would like to take this opportunity to express my sincere gratitude and appreciation to all medical and healthcare workers who have been so vigilant, professional and brave to fight against the epidemic, to protect the health of the public and to dedicate themselves selflessly.

Robert Lee
Non-Executive Chairman

August 4, 2020

STATEMENT FROM THE DEPUTY CHAIRMAN AND GROUP MANAGING DIRECTOR

Looking forward, the Group will continue to work closely with its partners and try to limit the impact on our business performance.

The Group recorded a consolidated revenue of approximately HK\$1,602 million for the six months ended June 30, 2020, compared to approximately HK\$207 million for the same period of 2019.

Consolidated operating loss of the Group for the period under review amounted to approximately HK\$114 million, compared to an operating loss of approximately HK\$56 million for the first half of 2019.

The Group's consolidated loss attributable to equity holders of the Company for the first six months of 2020 totalled HK\$253 million, compared to a net loss of approximately HK\$156 million for the corresponding period last year. Basic loss per share for the six months ended June 30, 2020 was approximately 15.91 Hong Kong cents, compared to a loss per share of approximately 9.82 Hong Kong cents for the six months of 2019.

The Board of Directors did not declare an interim dividend for the first half of 2020.

In the first half of 2020, the rapid spread of the Covid-19 dealt a severe blow to economic activities and sentiment globally. The impact of the pandemic dampened consumer confidences around the world and will continue in the near term. Many financial organisations further lowered their economic growth forecasts for the year.

In Hokkaido, Japan, the Group's hospitality and resort businesses were unavoidably affected by Covid-19. The occupancy rate of the Park Hyatt Niseko, Hanazono has remained low since late February. In April, the hotel closed part of its food and beverage and recreational services to reduce the spread of virus and to save costs. We have also completed most of the handover with the Park Hyatt Niseko Hanazono Residences' buyers.

As for the Group's projects in South East Asia, the occupancy of our Grade-A commercial building in Indonesia, Pacific Century Place, Jakarta, has maintained a steady performance, with 86% of the office space has been reserved or committed as at 30 June 2020. In Phang-nga, Thailand, the Covid-19 epidemic, especially the lock-down measures and travel restrictions have affected some of the development's construction progress and sales and marketing programmes.

In terms of our property development in Hong Kong, we will develop our Glenealy site for commercial use or residential use, pending for government's approval. Besides, the property market in Hong Kong remains uncertain, we hope the impact will dissipate soon and with the stimulus packages by the government and strong housing demand, the property market can recover in the long run.

Looking forward, the Group will continue to work closely with its partners and try to limit the impact on our business performance. Finally, I would like to take this opportunity to show my gratitude to all of our board of directors, colleagues and shareholders for their continued support. Wish you and your family good health.

Benjamin Lam

Deputy Chairman and Group Managing Director

August 4, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's discussion and analysis of the unaudited consolidated financial results and operations relating to the business of Pacific Century Premium Developments Limited ("Company") and its subsidiaries (together with the Company, "Group") for the six months ended June 30, 2020 is set out below.

REVIEW OF OPERATIONS

Property investment and development

Property investment in Indonesia

In Indonesia, the performance of our Grade A office building, Pacific Century Place, Jakarta ("PCP Jakarta"), has maintained steady amid a challenging environment. At the end of June 30, 2020, 86% of office space was reserved or committed. The gross rental income amounted to approximately HK\$118 million for the six months ended June 30, 2020 as compared to approximately HK\$95 million for the corresponding period in 2019.

Property development in Japan

The Group has completed most of the handover and owner inspection of the Park Hyatt Niseko Hanazono Residences ("Branded Residences"). To date, 111 units have been sold or reserved. We will monitor the market closely with respect to the two remaining units.

The Group's revenue from its property development in Japan amounted to approximately HK\$1,329 million for the six months ended June 30, 2020.

Property development in Thailand

In Phang-nga, Thailand, the Group launched the sales of the first batch of villas in late 2019. To date, 27% have been sold or reserved. However, some of the construction work and sales and marketing activities have unavoidably been affected by the pandemic and the corresponding social distancing measures and travel restrictions.

Property development in Hong Kong

For the project of 3-6 Glenealy, Hong Kong, the Group intends to develop the site into a commercial or residential property depending on government's approval.

Hotel operations, recreation and leisure operation in Japan

Hotel operations in Japan

In Hokkaido, our hospitality and resort businesses have been substantially impacted by the threat of Covid-19 and the resulting travel restrictions. The occupancy rate of the Park Hyatt Niseko, Hanazono has remained low since late February. In April, the management team decided to close part of the food and beverage and recreational services to prevent the spread of the virus and save costs. All services will resume in phases when the situation is stabilised.

The Group's revenue from its hotel operations in Japan amounted to approximately HK\$45 million for the six months ended June 30, 2020.

Recreation and leisure operation in Japan

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

The Group's revenue from its all-season recreational activities amounted to approximately HK\$71 million for the six months ended June 30, 2020, as compared to approximately HK\$79 million for the corresponding period in 2019.

Property and facilities management

Hong Kong

The Group provides property management and facilities management services in Hong Kong and generated revenue of approximately HK\$15 million for the six months ended June 30, 2020, as compared to approximately HK\$15 million for the corresponding period in 2019.

Other businesses

Other businesses of the Group mainly include property management services in Japan and property investment in Hong Kong. The revenue from these other businesses amounted to approximately HK\$24 million for the six months ended June 30, 2020, as compared to approximately HK\$18 million for the corresponding period in 2019.

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately HK\$1,602 million for the six months ended June 30, 2020, representing an increase of approximately 674% from approximately HK\$207 million for the corresponding period in 2019. The increase was mainly due to sales of properties in Japan.

The consolidated gross profit for the six months ended June 30, 2020 was approximately HK\$277 million, representing an increase of approximately 57% from approximately HK\$176 million for the corresponding period in 2019. The gross profit margin for the six months ended June 30, 2020 was 17% as compared to 85% for the corresponding period in 2019.

The general and administrative expenses were approximately HK\$391 million for the six months ended June 30, 2020, representing an increase of 69% from approximately HK\$232 million for the corresponding period in 2019. The increase was mainly due to increase in hotel operating costs and building depreciation derived from the commencement of hotel operations in January 2020.

The consolidated operating loss for the six months ended June 30, 2020 increased to approximately HK\$114 million, as compared to approximately HK\$56 million for the corresponding period in 2019. Such increase was mainly due to impact of the pandemic on the hotel and ski business in Japan.

The Group recorded higher finance costs of HK\$118 million for the six months ended June 30, 2020, as compared to approximately HK\$93 million for the same period in 2019. The increase was due to the decrease in capitalisation of borrowing costs as a result of the completion of Park Hyatt Niseko, Hanazono and Park Hyatt Niseko Hanazono Residences in Japan in late 2019. The consolidated net loss after taxation of approximately HK\$253 million for the six months ended June 30, 2020 was reported, as compared to approximately HK\$156 million for the corresponding period in 2019. Basic loss per share during the period under review was 15.91 Hong Kong cents, compared to a basic loss per share of 9.82 Hong Kong cents for the corresponding period in 2019.

Current assets and liabilities

As at June 30, 2020, the Group held current assets of approximately HK\$3,272 million (December 31, 2019: HK\$4,683 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 is mainly attributable to the decrease in properties under development/held for sale from HK\$1,421 million in December 31, 2019 to approximately HK\$283 million, net with the increase in cash by HK\$495 million which was due to sales proceeds from the sales of properties offset by the repayment of short term loan. Sales proceeds held in stakeholders' accounts remained at approximately HK\$506 million as at June 30, 2020 (December 31, 2019: HK\$506 million). The level of restricted cash in current assets decreased to approximately HK\$121 million as at June 30, 2020 from approximately HK\$594 million as at December 31, 2019.

As at June 30, 2020, the Group's total current liabilities amounted to approximately HK\$2,347 million, as compared to approximately HK\$3,462 million as at December 31, 2019. The decrease was mainly attributable to the repayment of certain bank borrowings during the period. As at June 30, 2020, the current ratio was 1.39 (December 31, 2019: 1.35).

Capital structure, liquidity and financial resources

As at June 30, 2020, the Group's borrowings amounted to approximately HK\$8,177 million (December 31, 2019: HK\$8,900 million). The balance as at June 30, 2020 represented the amortised cost of financial liabilities in respect of the guaranteed notes of US\$700 million issued (equivalent to approximately HK\$5,425 million), the total outstanding principal amount of Japanese Yen ("JPY") 11,275 million (equivalent to approximately HK\$816 million) under all JPY loan facilities together with principal amount of HK\$1,978 million under the Hong Kong dollar loan facilities.

On March 9, 2017, PCPD Capital Limited ("PCPD Capital"), an indirect wholly-owned subsidiary of the Company, issued the US\$570 million 4.75% guaranteed notes ("Notes") due 2022, which are listed on the Singapore Exchange Securities Trading Limited. On October 3, 2019, further guaranteed notes (the "Future Notes") of US\$130 million were issued by PCPD Capital. The Notes and Future 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

On June 9, 2017, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement under which the lender had agreed to make available a term loan facility up to an aggregate amount of JPY1,500 million ("JPY Facility 2028"). The maturity date of the JPY Facility 2028 is in December 2028. Such facility is secured by the land and buildings and a bank account of the indirect wholly-owned subsidiary and is subject to certain financial covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2020, none of the covenants were breached.

On March 19, 2018, an indirect non-wholly owned subsidiary of the Company entered into a loan agreement under which the lender had agreed to make available a loan facility up to an aggregate amount of HK\$808 million. On March 20, 2020, the loan was extended with maturing date in March 2021 ("HK\$ loan 2021"). Such facility is payable on demand and secured by the land and buildings, bank accounts, shares and other assets of certain indirect non-wholly owned subsidiaries of the Company.

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

On June 11, 2019, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement under which the lender agreed to make available term loan facility up to an aggregate amount of HK\$1,170 million ("HK\$ Loan 2024"). The maturity date of the HK\$ Loan 2024 is in June 2024. Such facility is secured by the land and buildings, bank accounts, shares and other assets of certain indirect wholly-owned subsidiaries of the Company. The Company and the indirect wholly-owned subsidiary are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2020, none of the covenants were breached.

As at June 30, 2020, the net debt-to-equity ratio was 172.02% (as at December 31, 2019: 188.28%). The net debt is calculated from the aggregated principal amounts of borrowings of HK\$8,219 million less the aggregate of cash and cash equivalents of HK\$1,873 million.

The Group's borrowings are denominated in US dollars, Hong Kong dollars and Japanese Yen while the cash and bank deposits are held mainly in US dollars and Hong Kong dollars. The Group has foreign operations, and some of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. As at June 30, 2020, the assets of the Group in Indonesia, Thailand and Japan represented approximately 32%, 7% and 34% 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 six months ended June 30, 2020 is approximately HK\$997 million, as compared to cash used in operating activities in the amount of approximately HK\$26 million for the corresponding period in 2019 as the Group received proceeds from the sale of properties during the period.

Income tax

The Group's income tax for the six months ended June 30, 2020 was approximately HK\$29 million, as compared to approximately HK\$15 million for the corresponding period in 2019. The increase was mainly due to the withholding tax charges on the profits generated from sales of properties in Japan and the tax revenue earned from Pacific Century Place, Jakarta, our premium Grade A office investment.

Security on assets

As at June 30, 2020, certain assets of the Group with an aggregated carrying value of approximately HK\$8,029 million (December 31, 2019: HK\$10,323 million) are mortgaged and pledged to the banks as security for the loan facilities.

Contingent liabilities

In 2018, the Company's indirect wholly-owned subsidiary (the "Taxpayer") in Indonesia, received a tax assessment notice ("2018 Assessment") from the Indonesian tax office ("ITO") in relation to the creditability of value added tax ("VAT") arising from the acquisition of a plot of land in Jakarta, Indonesia in October 2013 ("Land VAT") which amounted to IDR183,834.4 million (approximately HK\$100 million).

Such Land VAT has been reported as creditable input VAT in the monthly VAT report for the period of October 2013 to compensate future output VAT after the tax assessment issued in 2014. However, after a tax re-audit which was performed in 2018, the ITO issued an assessment notice stating that the Land VAT is non-creditable, resulting in a tax underpayment of IDR183,834.4 million (approximately HK\$100 million) and a penalty of IDR183,834.4 million (approximately HK\$100 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\$200 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 Group had attended the tax court hearings since June 2020 and the process is still ongoing. 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 June 30, 2020. No provision of impairment has been recognised for the VAT balance as at June 30, 2020.

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2020, the Group employed a total number of 842 staff in Hong Kong and overseas (inclusive of property management staff borne by owners' account and seasonal staff employed overseas). The remuneration policies of the Group are in line with prevailing industry practices. Bonuses are paid on a discretionary basis taking into account factors such as performance of individual employees and the Group's performance as a whole. The Group provides comprehensive employee benefits, including medical insurance, a choice of provident fund or mandatory provident fund as well as training programs. The Group is also a participating member of the PCCW employee share incentive award schemes.

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

DIVIDENDS AND DISTRIBUTION

The Board did not declare an interim dividend to shareholders nor an interim distribution to bonus convertible noteholders for the six months ended June 30, 2020 (2019: Nil).

The Board did not recommend the payment of a final dividend for the year ended December 31, 2019.

OUTLOOK

2020 has been a challenging year for all of us. The outbreak of Covid-19 has become a worldwide pandemic with millions of reported cases in over 150 countries. Many businesses have endured their worst difficulties since the global financial crisis. In the face of this difficulty, the Federal Reserve and other central banks announced a series of monetary stimuli to support the economies. However, the global market has remained in the doldrums.

The economic impact of Covid-19 became more apparent in the second quarter. In Asia, those countries that rely heavily on tourism and export as their major sources of income were significantly affected. Japan, Thailand and Indonesia, where the Group's core developments and investments are located, are currently facing different levels of challenges. Our hospitality and resort business in Niseko, Hokkaido, as well as some of the construction progress and sales and marketing activities in Thailand were unavoidably affected.

In Hong Kong, the situation continued to evolve in the first half of the year. The government earlier announced the establishment of the Anti-epidemic Fund. A relief package worth over a hundred billion was introduced to help ease the financial burden of businesses and provide support for job retention and creation. We hope the impact will dissipate soon and the Group will work closely with its partners and do its best to limit the impact on our business performance.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Mr Li, aged 53, is an Executive Director of Pacific Century Premium Developments Limited (“PCPD”), the Chairman of PCPD’s Executive Committee of the board of directors (“Board”), a member of PCPD’s Remuneration Committee and Nomination Committee of the Board. He became a director of PCPD in May 2004. He was also the Chairman of PCPD from June 2004 to May 2019. He also holds positions in the following companies:

- (1) Chairman and Executive Director of PCCW Limited (“PCCW”);
- (2) Chairman of PCCW’s Executive Committee;
- (3) a member of PCCW’s Nomination Committee of the PCCW board;
- (4) Executive Chairman and Executive Director of HKT Limited (“HKT”) and HKT Management Limited, the trustee-manager of the HKT Trust;
- (5) Chairman of HKT’s Executive Committee;
- (6) a member of HKT’s Nomination Committee of the HKT board;
- (7) Chairman and Chief Executive of the Pacific Century Group; and
- (8) Chairman and Executive Director of Singapore-based Pacific Century Regional Developments Limited (“PCRD”), and the Chairman of PCRD’s Executive Committee.

Mr Li is a member of the Center for Strategic and International Studies’ International Councillors’ Group in Washington, D.C., and a member of the Global Information Infrastructure Commission. Mr Li was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

Benjamin LAM Yu Yee

Deputy Chairman and Group Managing Director

Mr Lam, aged 59, is an Executive Director, Deputy Chairman and Group Managing Director of PCPD, a member of PCPD’s Executive Committee of the Board and a director of certain PCPD subsidiaries. He became a director of PCPD in May 2019. He served PCPD as Chief Operating Officer in September 2004 and was Deputy Chief Executive Officer, Chief Financial Officer and Executive Director from September 2007 to November 2014.

Prior to joining PCPD in September 2004, Mr Lam was the Chief Financial Officer of Asia Pacific Resources International Limited in Singapore in 2003 and was appointed as the President of China Operations in April 2004. Between 1999 to 2003, Mr Lam was an Executive Director and Group Chief Financial Officer of Sino Land Company Limited (“Sino Land”). Prior to joining Sino Land, he had worked in various financial institutions for over 13 years and had substantial experience in corporate finance and investment banking.

Mr Lam holds a Bachelor of Science degree in Industrial Engineering from The University of Hong Kong and a Master of Business Administration degree from the Manchester Business School.

HUI Hon Hing, Susanna

Ms Hui, aged 55, is an Executive Director of PCPD. She became a director of PCPD in May 2018. She was the Chief Financial Officer of PCPD from July 2009 to November 2011. She is and has been the Group Chief Financial Officer of PCCW since April 2007 and an Executive Director of PCCW since May 2010. She is a member of PCCW's Executive Committee. Ms Hui is also the Group Managing Director of HKT and HKT Management Limited, the trustee-manager of the HKT Trust and a member of HKT's Executive Committee. Prior to her appointment as the Group Chief Financial Officer of PCCW, Ms Hui was the Director of Group Finance of the PCCW group from September 2006 to April 2007, and the Director of Finance of the PCCW group with responsibility for the telecommunications services sector and regulatory accounting. She was also the Group Chief Financial Officer of HKT from November 2011 to August 2018.

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

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

NON-EXECUTIVE DIRECTORS

LEE Chi Hong, Robert

Non-Executive Chairman

Mr Lee, aged 69, is a Non-Executive Director and the Non-Executive Chairman of PCPD. He became a director of PCPD in May 2004. He was also the Deputy Chairman and Chief Executive Officer of PCPD until May 2019. He is an Executive Director of PCCW and a member of PCCW's Executive Committee and also holds directorships in PCCW group companies.

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

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

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

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

BOARD OF DIRECTORS

Dr Allan ZEMAN, GBM, GBS, JP

Dr Zeman, aged 72, is a Non-Executive Director of PCPD, and a member of PCPD's Nomination Committee of the Board. He became a director of PCPD in June 2004.

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

Having lived in Hong Kong for over 49 years, Dr Zeman has been very involved in Government services as well as community activities. He is the appointed member of the General Committee of the Hong Kong General Chamber of Commerce, a member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong and a member of the Asian Advisory Board of the Richard Ivey School of Business, The University of Western Ontario. In January 2015, Dr Zeman was appointed by the Chief Executive of the Hong Kong Special Administrative Region ("HKSAR") Government to be a Representative of Hong Kong China to the Asia-Pacific Economic Cooperation Business Advisory Council. In June 2015, Dr Zeman was appointed as a board member of the Airport Authority of Hong Kong. Dr Zeman is also a board member of The Hong Kong Entrepreneurs Fund of Alibaba Group which was launched in November 2015. In March 2018, Dr Zeman was appointed as a member of HKSAR Chief Executive's Council of Advisers on Innovation and Strategic Development and a member of HKSAR Human Resources Planning Commission. Dr Zeman was the Chairman of Hong Kong Ocean Park from July 2003 to June 2014 and he is now the honorary advisor to the Ocean Park.

Dr Zeman holds the Honorary Doctorate of Laws Degree conferred by The University of Western Ontario, Canada and the Honorary Doctorates of Business Administration conferred by City University of Hong Kong, The Hong Kong University of Science and Technology as well as The Open University of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof WONG Yue Chim, Richard, SBS, JP

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

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

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

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

Prof Wong was an Independent Non-Executive Director of Orient Overseas (International) Limited from December 2003 to May 2019.

CHIANG Yun

Ms Chiang, aged 52, is an Independent Non-Executive Director of PCPD, the Chairlady of PCPD's Remuneration Committee of the Board and a member of PCPD's Audit Committee and Nomination Committee of the Board. She became a director of PCPD in May 2015.

Ms Chiang has over 26 years of private equity investment experience and is now the founding managing partner of Prospere Capital Limited. She was previously a founding managing partner of Pacific Alliance Equity Partners, the private equity division of Pacific Alliance Group ("PAG"). Prior to joining PAG, she was a vice president in AIG Investment Corporation. She is currently an Independent Non-Executive Director, a member of Audit Committee and Nomination Committee of the board of directors of Sands China Ltd. and Goodbaby International Holdings Limited ("Goodbaby") which are listed in Hong Kong as well as a member of Remuneration Committee of the board of directors of Goodbaby. Ms Chiang is also a Non-Executive Director of Yantai Changyu Pioneer Wine Company Limited, which is listed in Shenzhen. Ms Chiang was an Independent Non-Executive Director, a member of Audit Committee and Health, Safety and Security Committee of the board of directors of Merlin Entertainments Plc..

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

Dr Vince FENG

Dr Feng, aged 48, is an Independent Non-Executive Director of PCPD, the Chairman of PCPD's Nomination Committee of the Board and a member of PCPD's Audit Committee of the Board. He became a director of PCPD in March 2018.

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

Dr Feng has been working in the financial services industry since 1994. Prior to founding Arete Macro Fund in 2012, Dr Feng was a Cofounder and Managing Director of Ocean Capital Management Limited from 2009 to 2010. Dr Feng had also previously served as a Managing Director of General Atlantic LLC, a US\$30 billion global private equity firm focused on growth sectors, overseeing their North Asian operations and serving on the boards of numerous technology companies in Greater China, such as Lenovo, Digital China, Ren Ren, Data Systems, and Vimicro. Prior to that, Dr Feng was also a financial analyst with Goldman Sachs (Asia) LLC in Hong Kong, working in the Direct Private Investing (formerly PIA) and Mergers and Acquisitions areas.

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



FINANCIAL INFORMATION

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2020

HK\$ million	Note	2020 (Unaudited)	2019 (Unaudited)
Revenue	2	1,602	207
Cost of sales		(1,325)	(31)
Gross profit		277	176
General and administrative expenses		(391)	(232)
Operating loss		(114)	(56)
Interest income		8	8
Finance costs	3	(118)	(93)
Loss before taxation	4	(224)	(141)
Income tax	5	(29)	(15)
Loss attributable to equity holders of the Company		(253)	(156)
Other comprehensive (loss)/income:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation differences:			
Exchange differences on translating foreign operations		(82)	218
Total comprehensive (loss)/income		(335)	62
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	7	(15.91) cents	(9.82) cents

The notes on pages 18 to 31 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2020

2020
(Unaudited)

HK\$ million	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserves	Retained earnings	Attributable to		Total equity
							equity holders of the Company	non- controlling interests	
Balance at January 1, 2020	2,846	(565)	(590)	592	10	1,598	3,891	133	4,024
Total comprehensive loss for the period	—	—	(82)	—	—	(253)	(335)	—	(335)
Balance at June 30, 2020	2,846	(565)	(672)	592	10	1,345	3,556	133	3,689

2019
(Unaudited)

HK\$ million	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserves	Retained earnings	Attributable to		Total equity
							equity holders of the Company	non- controlling interests	
Balance at January 1, 2019	2,846	(565)	(803)	592	10	1,893	3,973	133	4,106
Total comprehensive income/(loss) for the period	—	—	218	—	—	(156)	62	—	62
Balance at June 30, 2019	2,846	(565)	(585)	592	10	1,737	4,035	133	4,168

The notes on pages 18 to 31 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

HK\$ million	Note	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	8	3,663	3,762
Property, plant and equipment	9	3,437	3,392
Right-of-use assets		53	77
Properties under development		322	291
Properties held for development	10	2,661	2,653
Goodwill		5	5
Financial assets at fair value through profit or loss		—	1
Prepayments and other receivables		277	305
		10,418	10,486
Current assets			
Properties under development/held for sale		283	1,421
Sales proceeds held in stakeholders' accounts		506	506
Restricted cash		121	594
Trade receivables, net	11	14	24
Prepayments, deposits and other current assets		471	748
Amounts due from fellow subsidiaries		1	1
Amounts due from related companies		2	6
Financial assets at fair value through profit or loss		1	5
Cash and cash equivalents		1,873	1,378
		3,272	4,683

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2020

HK\$ million	Note	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Current liabilities			
Short-term borrowings	14	805	1,517
Current portion of long-term borrowings	14	11	11
Trade payables	12	37	49
Accruals and other payables		1,027	1,068
Deferred income and contract liabilities	15	89	441
Lease liabilities		42	44
Amount payable to the HKSAR Government under the Cyberport Project Agreement	13	327	325
Current income tax liabilities		9	7
		2,347	3,462
Net current assets			
		925	1,221
Total assets less current liabilities			
		11,343	11,707
Non-current liabilities			
Long-term borrowings	14	7,361	7,372
Other payables		186	175
Deferred income and contract liabilities	15	46	58
Lease liabilities		14	34
Deferred income tax liabilities		47	44
		7,654	7,683
Net assets			
		3,689	4,024
CAPITAL AND RESERVES			
Issued equity	16	2,846	2,846
Reserves		710	1,045
Capital and reserves attributable to equity holders of the Company		3,556	3,891
Non-controlling interests		133	133
		3,689	4,024

The notes on pages 18 to 31 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2020

HK\$ million	2020 (Unaudited)	2019 (Unaudited)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	997	(26)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(88)	(407)
Payment for investment properties	(1)	(6)
NET CASH USED IN INVESTING ACTIVITIES	(89)	(413)
FINANCING ACTIVITIES		
Proceeds from bank borrowings, net	—	536
Decrease/(increase) in restricted cash	476	(108)
Repayment of bank borrowing	(713)	(6)
Payment for borrowing costs	(166)	(124)
Payment for lease liabilities (including interest)	(23)	(23)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(426)	275
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	482	(164)
Exchange difference	13	1
CASH AND CASH EQUIVALENTS		
Balance at January 1,	1,378	864
Balance at June 30,	1,873	701

The notes on pages 18 to 31 form part of these unaudited condensed consolidated financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial information of Pacific Century Premium Developments Limited (the “Company”) and its subsidiaries (the “Group”) has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

The unaudited condensed consolidated financial information has been reviewed by the Company’s Audit Committee, and the Company’s independent auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

The preparation of the unaudited condensed consolidated financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing these unaudited condensed consolidated financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those which applied to the consolidated financial statements as at and for the year ended December 31, 2019.

The accounting policies, basis of presentation and methods of computation used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group’s annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of the following new or amended HKFRS and HKAS which are first effective or available for early adoption for accounting periods beginning on or after January 1, 2020 as described below.

The following new or amended HKFRS and HKAS are adopted for the financial year beginning January 1, 2020, but have no material effect on the Group’s reported results and financial position for the current and prior accounting periods.

- HKAS 1 (Revised) (Amendments), *Presentation of Financial Statements*
- HKAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors*
- HKAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*
- HKFRS 3 (Revised) (Amendments), *Business Combinations*
- HKFRS 7 (Amendments), *Financial Instruments: Disclosures*
- HKFRS 9 (2014) (Amendments), *Financial Instruments*
- HKFRS 16 (Amendments), *Leases*
- Conceptual Framework for Financial Reporting 2018

The Group has not early adopted any other new or amended HKFRS and HKAS that are not yet effective for the current accounting period.

2. REVENUE AND SEGMENT INFORMATION

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

HK\$ million	<u>Revenue (note a)</u>						<u>Results</u>		<u>Other information</u>	
	Revenue from external customers		Inter-segment revenue		Reportable segment revenue		Segment results before taxation		Additions to non-current segment assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
All-season recreational activities in Japan	71	79	—	—	71	79	5	20	15	59
Property investment in Indonesia	118	95	—	—	118	95	49	53	2	7
Property development in Thailand	—	—	—	—	—	—	(8)	(6)	54	44
Property development in Japan	1,329	—	—	—	1,329	—	68	(15)	4	166
Hotel operations in Japan (note b)	45	—	1	2	46	2	(152)	(6)	24	164
Property and facilities management in Hong Kong	15	15	—	—	15	15	5	3	—	—
Property development in Hong Kong	—	—	—	—	—	—	(8)	(14)	17	1
Other businesses (note c)	24	18	1	1	25	19	2	3	—	—
Elimination	—	—	(2)	(3)	(2)	(3)	—	—	—	—
Total of reported segments	1,602	207	—	—	1,602	207	(39)	38	116	441
Unallocated	—	—	—	—	—	—	(185)	(179)	4	4
Consolidated	1,602	207	—	—	1,602	207	(224)	(141)	120	445

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

2. REVENUE AND SEGMENT INFORMATION — CONTINUED

HK\$ million As at	Assets		Liabilities	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
All-season recreational activities in Japan	547	553	35	69
Property investment in Indonesia	4,362	4,459	346	374
Property development in Thailand	959	894	58	47
Property development in Japan	1,511	2,852	646	1,651
Hotel operations in Japan (note b)	2,594	2,656	876	892
Property and facilities management in Hong Kong	18	18	2	3
Property development in Hong Kong	2,317	2,304	807	810
Other businesses (note c)	77	90	12	16
Total of reported segments	12,385	13,826	2,782	3,862
Unallocated	1,305	1,343	7,219	7,283
Consolidated	13,690	15,169	10,001	11,145

- a. For the six months ended June 30, 2020 and June 30, 2019, apart from the revenue arising from property development in Japan, rental income from property investment in Indonesia and Hong Kong, revenue of food and beverage and sales of goods arising from hotel operations and all-season recreational activities in Japan and other business totalling HK\$1,445 million (2019: HK\$124 million), revenue of all other segments of HK\$157 million (2019: HK\$83 million) are recognised over time.
- b. In January 2020, the Park Hyatt Niseko, Hanazono commenced its hotel operations. Together with the Midtown Niseko hotel (“Hotel operations in Japan”), the Group provides diversified hospitality services in Japan. The reportable segment “Hotel operations in Japan” is presented as an operating division for current and comparative periods. Comparative information for 2019 has been amended accordingly to conform with this change in classification adopted in current period. These amendments and reclassifications have no impact on the loss for the current and comparative periods nor on the assets and liabilities of the Group as at June 30, 2020 and June 30, 2019.
- c. Revenue from segment below the quantitative thresholds under HKFRS 8 “Operating Segments” is mainly attributable to property management in Japan and property investment in Hong Kong. This segment has not met any of the quantitative thresholds for determining reportable segments.

3. FINANCE COSTS

HK\$ million	Six months ended June 30,	
	2020	2019
Interest expenses:		
– Bank borrowings	42	26
– Guaranteed notes	133	110
– Lease liabilities	1	1
– Other finance costs	2	2
	178	139
Less:		
– Interest capitalised into property, plant and equipment	(9)	(11)
– Interest capitalised into properties under development	(7)	(35)
– Interest capitalised into properties held for sales	(17)	—
– Exchange gain on guaranteed notes	(27)	—
	118	93

4. LOSS BEFORE TAXATION

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

HK\$ million	Six months ended June 30,	
	2020	2019
Crediting:		
Gross rental income from investment properties	118	96
Less: outgoings	(30)	(22)
Charging:		
Cost of properties sold	1,245	—
Depreciation of property, plant and equipment	83	15
Depreciation of right-of-use assets		
– properties	23	21
Staff costs, included in:		
– cost of sales	13	15
– general and administrative expenses	124	96
Contributions to defined contribution retirement schemes included in		
– general and administrative expenses	3	3
Share-based compensation expenses	2	4
Auditor's remuneration		
– audit services	2	2
Net foreign exchange gain	(8)	(12)
Variable lease payment expenses	4	—
Short-term leases expenses	1	3

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period.

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

HK\$ million	Six months ended June 30,	
	2020	2019
Current income tax		
Hong Kong profits tax	1	—
Income tax outside Hong Kong	24	12
Deferred income tax		
Other origination and reversal of temporary differences	4	3
	29	15

6. DIVIDEND

HK\$ million	Six months ended June 30,	
	2020	2019
Interim dividend	—	—

7. LOSS PER SHARE

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

Loss (HK\$ million)	Six months ended June 30,	
	2020	2019
Loss for the purpose of calculating the basic and diluted loss per share	(253)	(156)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	1,587,296,022	1,587,296,022

Pursuant to the terms of the applicable deed poll, the bonus convertible notes confer upon the holders the same economic interests attached to the bonus shares. The aggregated amount of HK\$592,553,354.40 (June 30, 2019: HK\$592,553,354.40) outstanding bonus convertible notes which could be converted into 1,185,106,708 (June 30, 2019: 1,185,106,708) fully paid ordinary shares of HK\$0.50 each is included in the weighted average number of ordinary shares for calculating the basic loss per share for the six months ended June 30, 2020 and June 30, 2019.

8. INVESTMENT PROPERTIES

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

HK\$ million	2020	2019
At January 1,	3,762	3,599
Additions	1	5
Exchange differences	(100)	113
At June 30,	3,663	3,717

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

HK\$ million	Fair value measurement as at June 30, 2020		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement			
Investment properties			
– Indonesia	—	—	3,607
– Hong Kong	—	—	56

HK\$ million	Fair value measurement as at December 31, 2019		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurement			
Investment properties			
– Indonesia	—	—	3,706
– Hong Kong	—	—	56

During the six months ended June 30, 2020 and year ended December 31, 2019, there were no transfers between different levels.

For the investment properties, the fair value of the properties as at June 30, 2020 and December 31, 2019 were following the income capitalisation approach. The valuation takes into account of expected market rent, capitalisation rate and other constraint factors, if any. A significant change in the expected market rent or capitalisation rate would result in a significant change in the fair value of the investment properties.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2020, additions to property, plant and equipment mainly include the increase in construction in progress of HK\$43 million for the construction of a golf course and a golf and country club in Phang-nga in Thailand and the increase in furniture, fixtures and equipment of HK\$15 million for Park Hyatt Niseko, Hanazono.

10. PROPERTIES HELD FOR DEVELOPMENT

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

The land in Thailand is held by the Group through a long-term operating lease agreement with the legal owners, 39% owned entities, established to hold the land, whose financial statements have been consolidated into these unaudited condensed consolidated financial information with the carrying amount of HK\$469 million (December 31, 2019: HK\$479 million).

The property in Hong Kong represents the leasehold land located at Nos 3–6 Glenealy, Central, Hong Kong. As at June 30, 2020, the carrying amount of HK\$2,192 million (December 31, 2019: HK\$2,174 million) was recorded as properties held for development in the consolidated statement of financial position.

11. TRADE RECEIVABLES, NET

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

HK\$ million	As at June 30, 2020	As at December 31, 2019
1–30 days	13	24
31–90 days	1	—
	14	24

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

12. TRADE PAYABLES

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

HK\$ million	As at June 30, 2020	As at December 31, 2019
1–30 days	12	49
31–60 days	14	—
61–90 days	4	—
91–120 days	6	—
Over 120 days	1	—
	37	49

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

Pursuant to the Cyberport Project Agreement, the Government of the Hong Kong Special Administrative Region (the “HKSAR Government”) shall be entitled to receive payments of approximately 65% from the surplus cashflow arising from the sales of the residential portion of the Cyberport project, net of certain allowable costs incurred on the project, as stipulated under certain terms and conditions of the Cyberport Project Agreement. The amount payable to the HKSAR Government is based on surplus from sales proceeds of the residential portion after the development costs of the Cyberport project. As at June 30, 2020, the amount attributable to the HKSAR Government share under Cyberport Project Agreement was HK\$327 million (December 31, 2019: HK\$325 million).

14. BORROWINGS

HK\$ million	As at June 30, 2020	As at December 31, 2019
Borrowings, repayable within a period		
– not exceeding one year	816	1,528
– over one year, but not exceeding two years	5,423	11
– over two years, but not exceeding five years	1,902	7,321
– over five years	36	40
	8,177	8,900
Representing:		
Guaranteed notes (note a)	5,412	5,435
Bank borrowings (notes b, c, d and e)	2,765	3,465
	8,177	8,900
Secured	2,765	3,465
Unsecured	5,412	5,435

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

14. BORROWINGS — CONTINUED

- a. On March 9, 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 October 3, 2019, further guaranteed notes (the “Further Notes”) of US\$130 million were 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.
- b. On June 9, 2017, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement 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 2028 is December 2028. Such facility is secured by the land and buildings and a bank account of the indirect wholly-owned subsidiary and is subject to certain financial covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2020, none of the covenants were breached. The carrying value of the borrowing as at June 30, 2020 represents the outstanding principal amount of JPY1,275 million (equivalent to HK\$92 million) (December 31, 2019: JPY1,350 million) offset by the deferred arrangement fees of JPY33 million (equivalent to HK\$2 million) (December 31, 2019: JPY37 million).
- c. On March 19, 2018, an indirect non-wholly owned subsidiary of the Company entered into a loan agreement which the lender had agreed to make available a loan facility up to an aggregate amount of HK\$808 million. On March 20, 2020, the loan was extended with maturity date in March 2021 (“HK\$ Loan 2021”). Such facility is payable on demand and secured by the land and buildings, bank accounts, shares and other assets of certain indirect non-wholly owned subsidiaries of the Company. As at June 30, 2020, the carrying value of the borrowing represents the outstanding principal amount of HK\$808 million (December 31, 2019: HK\$808 million) offset by the deferred loan arrangement costs of HK\$3 million (December 31, 2019: HK\$1 million).
- d. On March 29, 2018, an indirect wholly-owned subsidiary of the Company (the “Borrower”) entered into a term loan facility agreement under which the lender agreed to make available term loan facilities up to an aggregate amount of JPY20,000 million. The facility comprises (1) a JPY10,000 million facility for the construction of a branded residence (“JPY Facility 2021”) which matures on February 14, 2020 with option to extend to March 31, 2021 and (2) a JPY10,000 million facility for the construction of a branded hotel (“JPY Facility 2023”) with maturity date of March 31, 2023. On February 14, 2020, the Borrower has fully repaid JPY Facility 2021. The JPY Facility 2023 is secured by certain land and property, the reserve accounts, and ordinary and/or preferred shares of the Borrower and an indirect wholly-owned subsidiary of the Company (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 of June 30, 2020, none of the covenants were breached and the carrying value of the JPY Facility 2023 represents the outstanding principal amount of JPY10,000 million (equivalent to HK\$724 million) (December 31, 2019: JPY20,000 million) offset by the deferred loan arrangement costs of JPY152 million (equivalent to HK\$11 million)(December 31, 2019: JPY205 million).
- e. On June 11, 2019, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement under which the lender agreed to make available term loan facility up to an aggregate amount of HK\$1,170 million (“HK\$ Loan 2024”). The maturity date of the HK\$ Loan 2024 is in June 2024. Such facility is secured by the land and buildings, bank accounts, shares and other assets of certain indirect wholly-owned subsidiaries of the Company. The Company and the indirect wholly-owned subsidiary are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2020, none of the covenants were breached and the carrying value of the borrowing represents the outstanding principal amount of HK\$1,170 million (December 31, 2019: HK\$1,170 million) offset by the deferred loan arrangement costs of HK\$13 million (December 31, 2019: HK\$15 million).

15. DEFERRED INCOME AND CONTRACT LIABILITIES

HK\$ million	As at June 30, 2020	As at December 31, 2019
Deferred income:		
Rental income from investment properties	102	135
Less: Amount classified as non-current liabilities	(46)	(58)
	56	77
Contract liabilities:		
Deposits received from sale of properties and other revenue receipt in advance	33	364
Deferred income and contract liabilities classified as current liabilities	89	441

16. ISSUED EQUITY

	The Group Number of shares (note a)	Issued equity HK\$ million (note a)
Ordinary shares of HK\$0.50 each at January 1, 2019, June 30, 2019, January 1, 2020 and June 30, 2020	402,189,313	2,846

- a. Due to the use of reverse acquisition basis of accounting (as stated in Note 2(d) to the 2004 Financial Statements), the amount of issued equity, which includes share capital and share premium in the consolidated statement of financial position, represents the amount of issued equity of the legal subsidiary, Ipswich Holdings Limited, at the date of completion of the reverse acquisition plus equity changes attributable to the Group after the reverse acquisition. The equity structure (i.e. the number and type of shares) reflects the equity structure of the legal parent, Pacific Century Premium Developments Limited, for all accounting periods presented.
- b. The share capital of the Company is as follows:

	The Company Number of shares	Nominal value HK\$ million
Authorised:		
Ordinary shares of HK\$0.50 each at June 30, 2020 and June 30, 2019	4,000,000,000	2,000
Issued and fully paid:		
Ordinary shares of HK\$0.50 each at June 30, 2020 and June 30, 2019	402,189,313	201

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

16. ISSUED EQUITY — CONTINUED

- c. As at June 30, 2020, the number of the total issued and fully paid consolidated ordinary shares of HK\$0.50 each was 402,189,313.2. Fractional shares amounted to 1.2 ordinary shares of HK\$0.50 each were generated from the share consolidation on June 25, 2012 and are retained by the Company in accordance with the terms of the share consolidation. Such fractional shares are registered under the name of an indirect wholly-owned subsidiary of the Company. Amongst such 1.2 fractional shares, 0.2 shares of which is not tradable on the main board of The Stock Exchange of Hong Kong Limited and such 0.2 shares are not shown in this section.

17. CAPITAL COMMITMENTS

HK\$ million	As at June 30, 2020	As at December 31, 2019
Contracted but not provided for		
Property development projects	129	116
Investment properties	24	18
Property, plant and equipment	178	152
	331	286

18. BANKING FACILITY

Aggregate banking facilities as at June 30, 2020 were HK\$2,794 million (December 31, 2019: HK\$3,498 million) of which all have been drawn down by the Group (see Note 14).

Security pledged for the banking facilities includes:

HK\$ million	As at June 30, 2020	As at December 31, 2019
Investment properties	3,607	3,706
Property, plant and equipment	2,098	2,563
Properties under development/held for sale	—	1,309
Properties held for development	2,192	2,174
Restricted cash	20	496
Cash and cash equivalents	112	75
	8,029	10,323

19. CONTINGENT LIABILITIES

In 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\$100 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\$100 million) and a penalty of IDR183,834.4 million (approximately HK\$100 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\$200 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 Group had attended the tax court hearings since June 2020 and the process is still ongoing. 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 June 30, 2020. No provision of impairment has been recognised for the VAT balance as at June 30, 2020.

20. MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by PCCW Limited ("PCCW"), a company incorporated in Hong Kong, which owns 70.88% (December 31, 2019: 70.88%) of the Company's shares. The remaining 29.12% of the shares are held by the public as at June 30, 2020 (December 31, 2019: 29.12%). PCCW is also regarded as the ultimate holding company of the Group.

In addition to the transactions and balances disclosed elsewhere in these unaudited condensed consolidated financial information, the following transactions were carried out with related parties:

a. During the period, the Group had the following significant transactions with related companies:

HK\$ million	Six months ended June 30,	
	2020	2019
Sales of services:		
– Fellow subsidiaries		
Office leases rental	1	1
– Related companies		
Facility management services	5	4
Office leases rental	8	8
Purchases of services:		
– Fellow subsidiaries		
Corporate services	1	1
Information technology and other logistic services	1	2
Interest expenses of guaranteed notes:		
– Immediate holding company	13	8

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2020

20. MATERIAL RELATED PARTY TRANSACTIONS — CONTINUED

b. Details of key management compensation

HK\$ million	Six months ended June 30,	
	2020	2019
Salaries and other short-term employee benefits	7	11
Bonuses	6	2
Directors' fee	2	—
Retirement scheme contribution	1	1
	16	14

21. FAIR VALUE ESTIMATION

a. Financial instruments carried at fair value

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

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

See Note 8 for disclosure of the investment properties that are measured at fair value.

HK\$ million	Fair value measurement as at June 30, 2020			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurement				
Assets				
Financial assets at fair value through profit or loss	1	—	—	1

HK\$ million	Fair value measurement as at December 31, 2019			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurement				
Assets				
Financial assets at fair value through profit or loss	6	—	—	6

During the six months ended June 30, 2020 and the year ended December 31, 2019, there were no transfers of financial instruments between different levels. There were no changes in valuation techniques during the period.

21. FAIR VALUE ESTIMATION — CONTINUED

b. Fair value of financial liabilities measured at amortised cost

All financial instruments are carried at amounts not materially different from their fair values as at June 30, 2020 and December 31, 2019 except as follows:

HK\$ million	As at June 30, 2020		As at December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Guaranteed notes	5,412	5,434	5,435	5,517

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

(i) Financial instruments in level 1

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

(ii) Financial instruments in level 2

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Dealer quoted price, taking into account of the spot and forward exchange rates that are quoted in an active market and the observable yield curves and the implied volatility; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

GENERAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at June 30, 2020, the directors and the chief executives of the Company and their respective close associates had the following interests and short positions in the shares, share stapled units, underlying shares, underlying share stapled units and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"):

1. The Company

As at June 30, 2020, none of the directors or chief executives of the Company or their respective close associates had any interests or short positions in the shares or underlying shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

2. Associated Corporations of the Company

A. Interests in PCCW Limited ("PCCW")

The table below sets out the aggregate long positions of the directors and the chief executives of the Company in the shares of PCCW, the ultimate holding company of the Company, as at June 30, 2020:

Name of director/ chief executive	Personal interests	Number of ordinary shares held			Total	Approximate percentage of the total number of shares of PCCW in issue
		Family interests	Corporate interests	Other interests		
Li Tzar Kai, Richard	—	—	307,694,369 (Note I(a))	1,928,842,224 (Note I(b))	2,236,536,593	28.93%
Lee Chi Hong, Robert	992,600 (Note II(a))	511 (Note II(b))	—	—	993,111	0.01%
Hui Hon Hing, Susanna	7,242,175	—	—	2,030,070 (Note III)	9,272,245	0.12%

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 — CONTINUED

2. Associated Corporations of the Company — Continued

A. Interests in PCCW Limited (“PCCW”) — Continued

Notes:

- I. (a) Of these shares of PCCW, Pacific Century Diversified Limited (“PCD”), a wholly-owned subsidiary of Chiltonlink Limited (“Chiltonlink”), held 269,471,956 shares and Eisner Investments Limited (“Eisner”) held 38,222,413 shares. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner.
 - (b) These interests represented:
 - (i) a deemed interest in 175,312,270 shares of PCCW held by Pacific Century Group Holdings Limited (“PCGH”). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 175,312,270 shares of PCCW held by PCGH; and
 - (ii) a deemed interest in 1,753,529,954 shares of PCCW held by Pacific Century Regional Developments Limited (“PCRD”), a company in which PCGH had, through itself and certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 88.63% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,753,529,954 shares of PCCW held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 1.06% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard.
- II. (a) These shares were held jointly by Lee Chi Hong, Robert and his spouse.
 - (b) These shares were held by the spouse of Lee Chi Hong, Robert.
- III. These interests represented awards made to Hui Hon Hing, Susanna which were subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.

GENERAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS — CONTINUED

2. Associated Corporations of the Company — Continued

B. Interests in HKT Trust and HKT Limited

The table below sets out the aggregate long positions in the share stapled units (“Share Stapled Units”) jointly issued by HKT Trust and HKT Limited, an associated corporation of the Company, held by the directors and the chief executives of the Company as at June 30, 2020:

Name of director/ chief executive	Personal interests	Number of Share Stapled Units held			Total	Approximate percentage of the total number of Share Stapled Units of HKT Trust and HKT Limited in issue
		Family interests	Corporate interests	Other interests		
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	3,862,498	—	—	780,458 (Note III)	4,642,956	0.06%

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 — CONTINUED

2. Associated Corporations of the Company — Continued

B. Interests in HKT Trust and HKT Limited — Continued

Each Share Stapled Unit confers an interest in:

- (a) one voting ordinary share of HK\$0.0005 in HKT Limited (“HKT”); and
- (b) one voting preference share of HK\$0.0005 in HKT,

for the purposes of Part XV of the SFO, in addition to an interest in one unit in the HKT Trust.

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

Notes:

- I.
 - (a) Of these Share Stapled Units, PCD held 20,227,614 Share Stapled Units and Eisner held 46,020,000 Share Stapled Units.
 - (b) These interests represented:
 - (i) a deemed interest in 13,159,619 Share Stapled Units held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 13,159,619 Share Stapled Units held by PCGH; and
 - (ii) a deemed interest in 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.

GENERAL INFORMATION

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 — CONTINUED

2. Associated Corporations of the Company — Continued

C. *Interests in PCPD Capital Limited (“PCPD Capital”)*

The table below sets out the aggregate long positions in the 4.75% bonds due 2022 (the “2022 Bonds”) issued by PCPD Capital, an associated corporation of the Company, held by the director of the Company as at June 30, 2020:

Name of director	Principal amount of the 2022 Bonds held (US\$)				Total
	Personal interests	Family interests	Corporate interests	Other interests	
Lee Chi Hong, Robert	2,250,000 <i>(Note)</i>	—	—	—	2,250,000

Note:

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, SHARE STAPLED UNITS, UNDERLYING SHARES, UNDERLYING SHARE STAPLED UNITS AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS — CONTINUED

2. Associated Corporations of the Company — Continued

D. Interests in Easy Treasure Limited (“Easy Treasure”)

The table below sets out the aggregate long position in the shares issued by Easy Treasure, an associated corporation of the Company, held by the director of the Company as at June 30, 2020:

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

Note:

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

Save as disclosed in the foregoing, as at June 30, 2020, none of the directors or chief executives of the Company or their respective close associates had any interests or short positions in any shares, Share Stapled Units, underlying shares, underlying Share Stapled Units or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

SHARE OPTION SCHEME

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

No share options have been granted under the 2015 Scheme since its adoption and up to and including June 30, 2020.

GENERAL INFORMATION

SHARE OPTION SCHEME — CONTINUED

Save as disclosed above, at no time during the period under review was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement that may enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors or chief executives of the Company or their spouses or children under 18 years of age had any right to subscribe for equity or debt securities of the Company or any of its associated corporations or had exercised any such right during the period under review.

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDER

1. Interests in the shares and underlying shares of the Company

As at June 30, 2020, the following person (other than directors or chief executives of the Company) was substantial shareholder of the Company (as defined in the Listing Rules) and had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares/ underlying shares held
PCCW	Beneficial owner	1,470,155,332 (Note)

Note:

These interests comprised (a) an interest in 285,088,666 shares of the Company held by Asian Motion Limited ("Asian Motion"), a wholly-owned subsidiary of PCCW; and (b) an interest in 1,185,066,666 underlying shares of the Company in relation to the bonus convertible notes in the aggregate amount of HK\$592,533,333.20 as held by Asian Motion.

2. Short positions in the shares and underlying shares of the Company

As at June 30, 2020, the Company had not been notified of any person who had short positions in the shares or underlying shares of the Company to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed above, as at June 30, 2020, the Company had not been notified of any other person who had interests or short positions in the shares and underlying shares of the Company to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2020, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended June 30, 2020 and has held one meeting during the period under review. Such condensed consolidated interim financial information has not been audited but has been reviewed by the Company's independent auditor.

CORPORATE GOVERNANCE CODE

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

The Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended June 30, 2020.

During the period covered by this report, in support of their responsibility for the risk management and internal control systems, the directors of the Company have sought and received from the Company's management a report on the risk management and internal control systems, including an assurance that, based on the Company's ongoing assessment and validation activities, they are not aware of any material risks or internal control deficiencies which are not being adequately and appropriately mitigated and/or managed.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted its own code of conduct regarding securities transactions, namely the PCPD Code of Conduct for Securities Transactions ("PCPD Code"), which applies to all directors and employees of the Company on terms no less exacting than the required standard indicated by the Model Code as set out in Appendix 10 to the Listing Rules.

The Company has made specific enquiries with all the directors of the Company and they confirmed that they had complied with the requirements under the PCPD Code for the six months ended June 30, 2020.

INVESTOR RELATIONS

LISTING

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

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

BOARD OF DIRECTORS

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

GENERAL COUNSEL AND COMPANY SECRETARY

Timothy Tsang

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