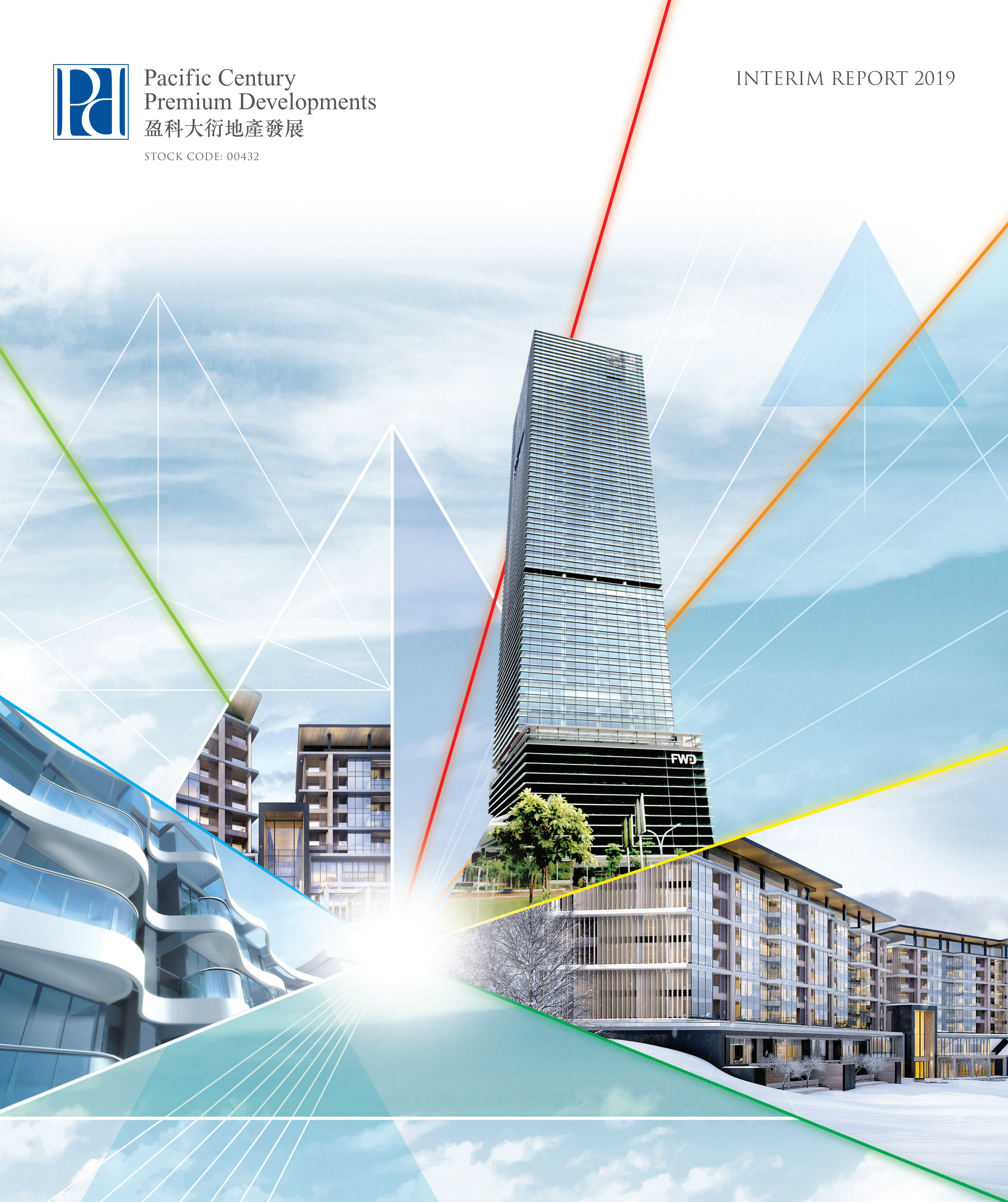
Pacific Century
Premium Developments
盈科大衍地產發展

STOCK CODE: 00432

INTERIM REPORT 2019



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STATEMENT FROM THE NON-EXECUTIVE CHAIRMAN

Our premium Grade A office building, PCP Jakarta recorded stable performance during the reporting period and is likely to enhance its occupancy.

The global economy has weakened since the beginning of 2019. The World Bank expects global growth to be a weaker-than-expected 2.6% in 2019 before inching up to 2.7% in 2020. The IMF shares a similar view that the global economy is prone to severe downside risks arising from international trade tensions and uncertain financial conditions.

The US Federal Reserve, as expected, kept rates unchanged after its meeting in late June. Market expects the Fed to cut interest rates at least once more over the coming months. The Bank of Japan also kept its monetary policy steady and signaled readiness to ramp up stimulus as global risks cloud the economic outlook. In late June at the G20 meetings, US and China agreed to resume trade talks, signalling a pause in the trade hostilities between the world's two largest economies.

Hong Kong's economy expanded modestly by 0.6% in the first quarter of 2019 compared to a year earlier. The near-term economic outlook is subject to a high level of uncertainty if the US-China trade tensions do not show any significant progress anytime soon.

In Jakarta, Indonesia, more office space supply in the CBD area is expected over the next two years, with rents expected to be further under pressure in 2019. Our premium Grade A office building, Pacific Century Place, Jakarta ("PCP Jakarta") recorded stable performance during the reporting period and is likely to enhance its occupancy.

In Hokkaido, Japan, Park Hyatt Niseko, Hanazono and the Park Hyatt Niseko Hanazono Residences ("Branded Residences") are proceeding on schedule. Both are scheduled to be completed in the fourth quarter of 2019. Park Hyatt Niseko, Hanazono is expected to open in early 2020.

Robert Lee
Non-Executive Chairman

August 7, 2019

STATEMENT FROM THE DEPUTY CHAIRMAN AND GROUP MANAGING DIRECTOR

PCP Jakarta maintained a satisfactory performance, 85% of office space reserved or committed by many world renowned corporations to date.

The Group recorded a consolidated revenue of approximately HK$207 million for the six months ended June 30, 2019, compared to approximately HK$165 million for the same period of 2018.

Consolidated operating loss of the Group for the period under review amounted to approximately HK$56 million, compared to an operating loss of approximately HK$107 million for the first half of 2018.

The Group's consolidated loss attributable to equity holders of the Company for the first six months of 2019 totalled HK$156 million, compared to a net loss of approximately HK$198 million for the corresponding period last year. Basic loss per share for the six months ended June 30, 2019 was approximately 9.82 Hong Kong cents, compared to a loss per share of approximately 12.49 Hong Kong cents for the six months of 2018.

The Board of Directors did not declare an interim dividend for the first half of 2019.

Despite office supply in the CBD of Jakarta is expected to increase in the next two years, with the Group's strategic leasing plans implemented, PCP Jakarta maintained a satisfactory performance, 85% of office space reserved or committed by many world renowned corporations to date. Tenants include insurance, financial services, tech giants and retail companies.

In Japan, the construction of the Park Hyatt Niseko, Hanazono and the Branded Residences is making good progress. Units will be phased delivery, commencing during the fourth quarter of 2019. To date, over 90% of the units were sold or reserved. We will continue to sell the remaining units at appropriate prices. In addition, the construction of the new ski centre is in progress and will become operational by end of 2019.

In Phang Nga, Thailand, we are proceeding with the first phase design while starting infrastructure construction. In July 2019, we started the construction of the golf and country club. The facility, together with the new golf course, is expected to start operation by end of 2020, offering recreational and F&B experience for the golfers, residents and visitors. Meanwhile, we are planning the sales of first batch of villas after the completion of the show suite in the second half of 2019.

In Hong Kong, the Glenealy site in Central is intended to be redeveloped for commercial or luxury residential use subject to government approval.

Benjamin Lam Yu Yee
Deputy Chairman and Group Managing Director

August 7, 2019

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, 2019 is set out below.

REVIEW OF OPERATIONS

Property investment

Indonesia

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

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

Property development

Japan

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

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

Thailand

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

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

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

Hong Kong

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

Recreation and leisure

Japan

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

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

Property and facilities management

Hong Kong and Japan

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

Other businesses

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

FINANCIAL REVIEW

Review of results

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

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

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

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

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

Current assets and liabilities

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

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

Capital structure, liquidity and financial resources

As at June 30, 2019, the Group's borrowings amounted to approximately HK$6,646 million (December 31, 2018: HK$6,094 million). The current reporting period balance represented the amortised cost of financial liabilities in respect of the guaranteed notes of US$570 million issued (equivalent to approximately HK$4,451 million), the total outstanding principal amount of Japanese Yen ("JPY") 14,485 million (equivalent to approximately HK$1,053 million) under all JPY loan facilities together with principal amount of HK$1,208 million drawdown under the Hong Kong dollar loan facilities.

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

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

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

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

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

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

The Group's borrowings are denominated in US dollars, Hong Kong dollars and Japanese Yen while the cash and bank deposits are held mainly in US dollars and Hong Kong dollars. The Group has foreign operations, and some of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. As at June 30, 2019, the assets of the Group in Indonesia, Thailand and Japan represented approximately 36%, 6% and 29% of the Group's total assets respectively. The Group's currency exposure with respect to these operations is subject to fluctuations in the exchange rates of Indonesian Rupiah, Thai Baht and Japanese Yen.

Cash used in operating activities for the six months ended June 30, 2019 is approximately HK$26 million, as compared to cash used in operating activities in the amount of approximately HK$2,225 million for the corresponding period in 2018 as the Group has made a cash payment in March 2018 of approximately HK$2,164 million for its acquisition of interest in companies which hold properties in Hong Kong.

Income tax

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

Security on assets

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

Contingent liabilities

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

Such Land VAT has been reported as creditable input VAT in the monthly VAT report for the period of October 2013 to compensate future output VAT after the tax assessment issued in 2014. However, after a tax re-audit which was performed in 2018, the ITO issued an assessment notice stating that the Land VAT is non-creditable, resulting in a tax underpayment of IDR183,834.4 million (approximately HK$101.5 million) and a penalty of IDR183,834.4 million (approximately

HK$101.5 million). According to the tax assessment notice, the Taxpayer is required to pay the tax underpayment and penalty totalling IDR367,668.8 million (approximately HK$203 million). The Group has filed an objection against the tax assessment in August 2018 and the ITO issued a decision letter to reject the Group's objection in July 2019. After consideration of professional advice, the Group remains of the view that the ITO has no basis to issue the 2018 Assessment and the Group is preparing to lodge an appeal to the tax court. The amounts of tax and penalty demanded in the assessment were paid in advance in August 2018 and have been included in "Prepayments, deposits and other current assets" in the condensed consolidated statement of financial position as at June 30, 2019. No provision for impairment was recognised for the VAT balance as at June 30, 2019.

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2019, the Group employed 631 staff in Hong Kong and overseas (inclusive of property management staff borne by owners' account and seasonal staff employed overseas). The remuneration policies of the Group are in line with prevailing industry practices. Bonuses are paid on a discretionary basis taking into account factors such as performance of individual employees and the Group's performance as a whole. The Group provides comprehensive employee benefits, including medical insurance, a choice of provident fund or mandatory provident fund as well as training programs. The Group is also a participating member of the PCCW employee share incentive award schemes.

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

DIVIDENDS AND DISTRIBUTION

The Board did not declare an interim dividend to shareholders nor an interim distribution to bonus convertible noteholders for the six months ended June 30, 2019 (2018: Nil).

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

OUTLOOK

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

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

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

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Mr Li, aged 52, 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 58, is an Executive Director, Deputy Chairman and Group Managing Director of PCPD, a member of PCPD's Executive Committee of the Board and is 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.

Mr Lam was an Executive Director of DreamEast Group Limited ("DreamEast") from January 2017 to January 2019 and was re-designated as a Non-Executive Director from January 2019 to May 2019. He was also the Vice Chairman of DreamEast from January 2017 to May 2019.

Prior to joining PCPD in September 2004, Mr Lam was Chief Financial Officer of Asia Pacific Resources International Limited in Singapore in 2003 and was appointed as 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.

James CHAN

Mr Chan, aged 65, is an Executive Director, the Project Director of PCPD, a member of PCPD's Executive Committee of the Board and is a Director of certain PCPD subsidiaries. He became a director of PCPD in August 2005. Mr Chan is responsible for managing various property projects of PCPD and its subsidiaries. He was responsible for the project execution of the Cyberport project and has overall responsibility for all aspects of the construction works. Mr Chan has become an Independent Non-Executive Director of Beijing Properties (Holdings) Limited since June 2011. He was a Non-Executive Director of Viva China Holdings Limited from June 2013 to June 2019.

Prior to joining PCCW in October 2002, Mr Chan was a practising architect and had worked for a major developer in Hong Kong, with comprehensive experience in design, planning and land matters, design development and construction management of major investment properties, which included a wide range of industrial and warehousing, commercial, retail and residential developments in Hong Kong and overseas. Mr Chan possesses a wide spectrum of experience in the real estate industry and has been active in the real estate business for more than 40 years.

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

BOARD OF DIRECTORS

HUI Hon Hing, Susanna

Ms Hui, aged 54, 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 an Executive Director and the Group Managing Director of HKT and HKT Management Limited, the trustee-manager of the HKT Trust. She is 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 68, 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 a Director of certain PCCW subsidiaries.

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. He became a Notary Public in Hong Kong in 1991.

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.

Dr Allan ZEMAN, GBM, GBS, JP

Dr Zeman, aged 71, 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 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 48 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 Park.

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

BOARD OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof WONG Yue Chim, Richard, SBS, JP

Prof Wong, aged 67, 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 51, 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 25 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, member of Audit Committee and Nomination Committee of the Board of Sands China Ltd. and Goodbaby International Holdings Limited ("Goodbaby") which are listed in Hong Kong. She is also a member of Remuneration Committee of the Board of Goodbaby. Ms Chiang is also an Independent Non-Executive Director, member of Audit Committee and Health, Safety & Security Committee of the Board of Merlin Entertainments Plc. which is listed in London.

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 Hong Kong University of Science and Technology in 1999.

Dr Vince FENG

Dr Feng, aged 47, 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 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 has also previously served as a Managing Director of General Atlantic LLC, a US$17 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 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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2019

HK$ million	Note	2019 (Unaudited)	2018 (Unaudited)
Revenue	2	**207**	165
Cost of sales		**(31)**	(27)
Gross profit		**176**	138
General and administrative expenses		**(232)**	(254)
Other income		**—**	4
Other gains, net		**—**	1
Surplus on revaluation of investment properties		**—**	4
Operating loss		**(56)**	(107)
Interest income		**8**	24
Finance costs	3	**(93)**	(102)
Loss before taxation	4	**(141)**	(185)
Income tax	5	**(15)**	(13)
Loss attributable to equity holders of the Company		**(156)**	(198)
Other comprehensive income/(loss):			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences:			
Exchange differences on translating foreign operations		**218**	(133)
Total comprehensive income/(loss)		**62**	(331)
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	7	**(9.82) cents**	(12.49) cents

The notes on pages 20 to 39 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2019

2019 (Unaudited)

HK$ million	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserves	Retained earnings	Attributable to equity holders of the Company	Attributable to non-controlling interests	Total equity
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

2018 (Unaudited)

HK$ million	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserves	Retained earnings	Attributable to equity holders of the Company	Attributable to non-controlling interests	Total equity
Balance at January 1, 2018	2,847	(565)	(553)	592	10	2,330	4,661	—	4,661
Total comprehensive loss for the period	—	—	(133)	—	—	(198)	(331)	—	(331)
Acquisition of subsidiaries	—	—	—	—	—	—	—	133	133
Balance at June 30, 2018	2,847	(565)	(686)	592	10	2,132	4,330	133	4,463

The notes on pages 20 to 39 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

HK$ million	Note	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	8	**3,717**	3,599
Property, plant and equipment	9	**2,029**	1,328
Right-of-use assets		**83**	101
Properties under development		**295**	364
Properties held for development	10	**2,639**	2,822
Goodwill		**5**	5
Restricted cash		**—**	217
Prepayments and other receivables		**314**	407
		9,082	8,843
Current assets			
Properties under development		**1,017**	770
Sales proceeds held in stakeholders' accounts		**507**	507
Restricted cash		**432**	98
Trade receivables, net	11	**11**	19
Prepayments, deposits and other current assets		**589**	462
Amounts due from fellow subsidiaries	21(c)	**1**	1
Amounts due from related companies	21(c)	**7**	4
Financial assets at fair value through profit or loss		**4**	4
Cash and cash equivalents		**701**	864
		3,269	2,729

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

HK$ million	Note	June 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Current liabilities			
Short-term borrowings	14	**1,325**	—
Current portion of long-term borrowings	14	**11**	11
Trade payables	12	**6**	14
Accruals and other payables		**398**	335
Deferred income and contract liabilities	15	**430**	309
Lease liabilities		**42**	41
Amount payable to the HKSAR Government under the Cyberport Project Agreement	13	**323**	322
Current income tax liabilities		**7**	7
		2,542	1,039
Net current assets		**727**	1,690
Total assets less current liabilities		**9,809**	10,533
Non-current liabilities			
Long-term borrowings	14	**5,310**	6,083
Other payables		**172**	171
Deferred income and contract liabilities		**84**	81
Lease liabilities		**42**	62
Deferred income tax liabilities		**33**	30
		5,641	6,427
Net assets		**4,168**	4,106
CAPITAL AND RESERVES			
Issued equity	16	**2,846**	2,846
Reserves		**1,189**	1,127
Capital and reserves attributable to equity holders of the Company		**4,035**	3,973
Non-controlling interests		**133**	133
		4,168	4,106

The notes on pages 20 to 39 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2019

HK$ million	2019 (Unaudited)	2018 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(26)**	(2,225)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(407)**	(122)
Payment for investment properties	**(6)**	(99)
Payment for acquisition of subsidiary, net of cash acquired	**—**	(4)
Proceeds from sale of property, plant and equipment	**—**	1
Disposal of other financial assets at fair value through profit or loss	**—**	80
Decrease in short-term deposits with maturity more than three months	**—**	1,015
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	**(413)**	871
FINANCING ACTIVITIES		
Proceeds from bank borrowings, net	**536**	833
Increase in restricted cash	**(108)**	—
Repayment of bank borrowing	**(6)**	—
Payment for borrowing costs	**(124)**	(111)
Payment for lease liabilities (including interest)	**(23)**	(18)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**275**	704
DECREASE IN CASH AND CASH EQUIVALENTS	**(164)**	(650)
Exchange difference	**1**	22
CASH AND CASH EQUIVALENTS		
Balance at January 1,	**864**	2,633
Balance at June 30,	**701**	2,005
Analysis of cash and cash equivalents		
Cash and bank balances	**701**	2,009
Less: Short-term deposits	**—**	(4)
Cash and cash equivalents at June 30,	**701**	2,005

The notes on pages 20 to 39 form part of these unaudited condensed consolidated financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2019

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial information of Pacific Century Premium Developments Limited (the "Company") and its subsidiaries (the "Group") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

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

The preparation of the unaudited condensed consolidated financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing these unaudited condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those which applied to the consolidated financial statements as at and for the year ended December 31, 2018.

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial information are consistent with those used in preparing the Group's annual financial statements for the year ended December 31, 2018, except for the adoption or early adoption of new/revised HKFRS and HKAS.

Adoption of new/revised accounting standards

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

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

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

2. REVENUE AND SEGMENT INFORMATION

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

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

a. For the six months ended June 30, 2019 and June 30, 2018, apart from the rental income from property investment in Indonesia and Hong Kong, certain revenue arising from all-season recreational activities in Japan and other businesses of HK$124 million (2018: HK$88 million), revenue of all other segments of HK$83 million (2018: HK$77 million) are recognised over time.

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

2. REVENUE AND SEGMENT INFORMATION – CONTINUED

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

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

3. FINANCE COSTS

HK$ million	Six months ended June 30, 2019	2018
Interest expenses:		
– Bank borrowings	**26**	6
– Guaranteed notes	**110**	110
– Lease liabilities	**1**	1
– Other finance costs	**2**	1
	139	118
Less:		
– Interest capitalised into property, plant and equipment	**(11)**	(1)
– Interest capitalised into properties under development	**(35)**	(15)
	93	102

4. LOSS BEFORE TAXATION

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

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

5. INCOME TAX

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

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

	Six months ended June 30,	
HK$ million	**2019**	**2018**
Current income tax		
– Hong Kong profits tax	—	2
– Income tax outside Hong Kong	**12**	9
Deferred income tax		
– Other origination and reversal of temporary differences	**3**	2
	15	13

6. DIVIDEND

	Six months ended June 30,	
HK$ million	**2019**	**2018**
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:

	Six months ended June 30,	
	2019	**2018**
Loss (HK$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	**(156)**	(198)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	**1,587,296,021**	1,587,576,022

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, 2018: HK$592,553,354.40) outstanding bonus convertible notes which could be converted into 1,185,106,708 (June 30, 2018: 1,185,106,708) fully paid ordinary shares of HK$0.50 each is included in the weighted average number of ordinary shares for calculating the basic loss per share for the six months ended June 30, 2019 and June 30, 2018.

8. INVESTMENT PROPERTIES

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

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

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

	As at June 30, 2019		
HK$ million	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Recurring fair value measurements			
Investment properties			
– Indonesia	—	—	**3,661**
– Hong Kong	—	—	**56**

8. INVESTMENT PROPERTIES – CONTINUED

HK$ million	As at December 31, 2018 Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Recurring fair value measurements			
Investment properties			
– Indonesia	—	—	3,543
– Hong Kong	—	—	56

During the six months ended June 30, 2019 and year ended December 31, 2018, there were no transfers between different levels.

For the investment properties, the fair value of the properties as at December 31, 2018 and June 30, 2019 was 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.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2019, additions to property, plant and equipment mainly include the increase in construction in progress of HK$184 million for the construction of a branded hotel in Hokkaido, Japan, increase in construction in progress of HK$145 million for the construction of phase 2 of the eco hotel for staff dormitory and budget travelers in Hokkaido, Japan, increase in construction in progress of HK$34 million for the construction of ski lifts for all-season recreational operation located in Niseko, Hokkaido, Japan and increase in construction in progress of HK$18 million for the construction of golf course in Phang Nga in Thailand.

10. PROPERTIES HELD FOR DEVELOPMENT

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

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

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

11. TRADE RECEIVABLES, NET

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

HK$ million	As at June 30, 2019	As at December 31, 2018
1 – 30 days	**10**	11
31 – 90 days	**1**	8
	11	19

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, 2019	As at December 31, 2018
1 – 30 days	**6**	14

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, 2019, the amount attributable to the HKSAR Government share under Cyberport Project Agreement was HK$323 million (December 31, 2018: HK$322 million).

14. BORROWINGS

HK$ million	As at June 30, 2019	As at December 31, 2018
Borrowings, repayable within a period		
– not exceeding one year	**1,336**	11
– over one year, but not exceeding two years	**11**	1,231
– over two years, but not exceeding five years	**5,253**	4,802
– over five years	**46**	50
	6,646	6,094
Representing:		
Guaranteed notes (note a)	**4,430**	4,439
Bank borrowings (notes b, c, d and e)	**2,216**	1,655
	6,646	6,094
Secured	**2,216**	1,655
Unsecured	**4,430**	4,439

14. BORROWINGS – CONTINUED

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

b. On June 9, 2017, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement under which the lender had agreed to make available a term loan facility up to an aggregate amount of JPY1,500 million ("JPY Facility 2028") by December 2018. The maturity date of the JPY Facility 2028 is in December 2028. Such facility is secured by the land and buildings and a bank account of the indirect wholly-owned subsidiary and is subject to certain financial covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2019, none of the covenants were breached. As at June 30, 2019, the carrying value of the borrowing represents the outstanding principal amount of JPY1,425 million (equivalent to HK$104 million) (December 31, 2018: JPY1,500 million) offset by the deferred loan arrangement costs of JPY41 million (equivalent to HK$3 million) (December 31, 2018: JPY45 million).

c. On March 19, 2018, an indirect non-wholly owned subsidiary of the Company entered into a loan agreement under which the lender had agreed to make available a loan facility up to an aggregate amount of HK$808 million ("HK$ Loan 2020"). The maturity date of the HK$ Loan 2020 is in March 2020. Such facility is secured by the land and buildings, bank accounts, shares and other assets of certain indirect non-wholly owned subsidiaries of the Company. The Company and the indirect non-wholly owned subsidiary are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2019, none of the covenants were breached and the carrying value of the borrowing represents the loan drawdown of HK$808 million (December 31, 2018: HK$808 million) offset by the deferred loan arrangement costs of HK$3 million (December 31, 2018: HK$5 million).

14. BORROWINGS – CONTINUED

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 by December 31, 2019. The facilities comprise (1) a JPY10,000 million facility for the construction of a branded residence ("JPY Facility 2021") which matures on February 14, 2020 with option to extend to March 31, 2021 and (2) a JPY10,000 million facility for the construction of a branded hotel ("JPY Facility 2023") with maturity date of March 31, 2023. Such facilities are secured by certain land and/or property, the reserve accounts, and ordinary and/or preferred shares of the Borrower and an indirect wholly-owned subsidiary (the "Hotel Operator"). The Borrower and the Hotel Operator are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As of June 30, 2019, none of the covenants were breached and the carrying value of the total borrowings of JPY Facility 2021 and JPY Facility 2023 represents the loan drawdown of JPY13,060 million (equivalent to HK$949 million) (December 31, 2018: JPY10,980 million) offset by the deferred loan arrangement costs of JPY314 million (equivalent to HK$23 million) (December 31, 2018: JPY380 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 a term loan facility up to an aggregate amount of HK$1,170 million ("HK$ Loan 2024"). The maturity date of the HK$ Loan 2024 is in June 2024. Such facility is secured by the land and buildings, bank accounts, shares and other assets of certain indirect wholly-owned subsidiaries of the Company. The Company and the indirect wholly-owned subsidiary are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2019, none of the covenants were breached and the carrying value of the borrowing represents the loan drawdown of HK$400 million offset by the deferred loan arrangement costs of HK$16 million.

15. DEFERRED INCOME AND CONTRACT LIABILITIES

HK$ million	As at June 30, 2019	As at December 31, 2018
Deferred income:		
Rental income from investment properties	**148**	159
Less: Amount classified as non-current liabilities	**(84)**	(81)
	64	78
Contract liabilities:		
Deposits received from sale of properties and other revenue receipt in advance	**366**	231
Deferred income and contract liabilities classified as current liabilities	**430**	309

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, 2018 and June 30, 2018	402,469,313	2,847
Shares repurchased and cancelled (note d)	(280,000)	(1)
Ordinary shares of HK$0.50 each at January 1, 2019 and June 30, 2019	**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 following is the movement in the share capital of the Company:

	The Company	
	Number of shares	Nominal value HK$ million
Authorised:		
Ordinary shares of HK$0.50 each at June 30, 2018 and June 30, 2019	**4,000,000,000**	**2,000**
Issued and fully paid:		
Ordinary shares of HK$0.50 each at January 1, 2018 and June 30, 2018	402,469,313	201
Shares repurchased and cancelled (note d)	(280,000)	—
Ordinary shares of HK$0.50 each at January 1, 2019 and June 30, 2019	**402,189,313**	**201**

c. As at June 30, 2019, 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 are 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.

d. During the year ended December 31, 2018, 280,000 ordinary shares of HK$0.50 each were repurchased on the market for cancellation at total consideration of HK$0.7 million. These shares were subsequently cancelled after repurchase.

17. CAPITAL COMMITMENTS

HK$ million	As at June 30, 2019	As at December 31, 2018
Contracted but not provided for		
Property development projects	**825**	919
Investment properties	**25**	18
Property, plant and equipment	**806**	992
	1,656	1,929

18. BANKING FACILITY

Aggregate banking facilities as at June 30, 2019 were HK$3,536 million (December 31, 2018: HK$2,326 million) of which HK$1,275 million remain undrawn by the Group (December 31, 2018: HK$637 million) (see Note 14).

Security pledged for the banking facilities includes:

HK$ million	As at June 30, 2019	As at December 31, 2018
Investment properties	**3,661**	—
Property, plant and equipment	**1,435**	923
Properties under development	**945**	770
Properties held for development	**2,173**	2,172
Restricted cash	**336**	221
Cash and cash equivalents	**7**	3
	8,557	4,089

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 Indonesian tax office ("ITO") in relation to the creditability of value added tax ("VAT") arising from the acquisition of a plot of land in Jakarta, Indonesia in October 2013 ("Land VAT") which amounted to IDR183,834.4 million (approximately HK$101.5 million).

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

20. BUSINESS COMBINATION

On May 30, 2018, the Group acquired 100% of the share capital of Yugenkaisha Hakuousha Cleaning Shokai, a company incorporated in Japan, which provides laundry services in Hokkaido, Japan. The acquired business contributed revenues of approximately HK$113,000 and HK$69,000 net profit to the Group for the period from May 30, 2018 to June 30, 2018.

HK$ million	The Group 2018
Purchase consideration in cash for laundry services operation of Yugenkaisha Hakuousha Cleaning Shokai	4
Fair value of net assets acquired (note a)	(2)
Goodwill	2

The goodwill is attributable to future profit generated from the laundry services operations.

a. The material assets and liabilities of the laundry services operation as at May 30, 2018 were as follows:

HK$ million	Fair value	Acquiree's carrying amount
Property, plant and equipment	3	1
Trade receivables, net	1	1
Accruals, other payables and deferred income	(2)	(2)
Net assets acquired	2	—

HK$ million	The Group 2018
Purchase consideration settled in cash	(4)
Cash and cash equivalents of laundry services operation acquired	—
Cash outflow on acquisition of laundry services operation	(4)

21. MATERIAL RELATED PARTY TRANSACTIONS

The Group is controlled by PCCW Limited ("PCCW"), a company incorporated in Hong Kong, which owns 70.88% (December 31, 2018: 70.88%) of the Company's shares. The remaining 29.12% of the shares are held by the public as at June 30, 2019 (December 31, 2018: 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:

	Six months ended June 30,	
HK$ million	**2019**	**2018**
Sales of services:		
– Fellow subsidiaries		
Office leases rental	**1**	1
– Related companies		
Facility management services	**4**	4
Office leases rental	**8**	6
Purchases of services:		
– Fellow subsidiaries		
Corporate services	**1**	1
Information technology and other logistic services	**2**	2

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

21. MATERIAL RELATED PARTY TRANSACTIONS – CONTINUED

b. Details of key management compensation

HK$ million	Six months ended June 30, 2019	2018
Salaries and other short-term employee benefits	**11**	9
Bonuses	**2**	12
Retirement scheme contribution	**1**	1
	14	22

c. Period-end balances arising from sales of services

HK$ million	As at June 30, 2019	As at December 31, 2018
Receivables from related parties:		
– Fellow subsidiaries	**1**	1
– Related companies	**7**	4
	8	5

22. 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.

	As at June 30, 2019			
HK$ million	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	**4**	**—**	**—**	**4**

	As at December 31, 2018			
HK$ million	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements				
Assets				
Financial assets at fair value through profit or loss	4	—	—	4

During the six months ended June 30, 2019 and the year ended December 31, 2018, there were no transfers of financial instruments between different levels. There were no changes in valuation techniques during the period.

22. 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, 2019 and December 31, 2018 except as follows:

	As at June 30, 2019		As at December 31, 2018	
HK$ million	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Guaranteed notes	**4,430**	**4,471**	4,439	4,339

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, 2019, 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, 2019, 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, 2019:

	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 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%

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 88.58% 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.

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, 2019:

	Number of Share Stapled Units held					Approximate percentage of the total number of Share Stapled Units of HKT Trust and HKT Limited
Name of director/ chief executive	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**in issue**
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%

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.

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 directors and the chief executives of the Company as at June 30, 2019:

	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.

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, 2019:

	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.

Save as disclosed in the foregoing, as at June 30, 2019, 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, 2019.

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, 2019, 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, 2019, 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, 2019, 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, 2019, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended June 30, 2019 and has held one meeting during the period under review. 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, 2019.

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

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

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

The Company has made specific enquiries with all directors of the Company and they had confirmed that they had complied with the requirements under the PCPD Code for the six months ended June 30, 2019.

INVESTOR RELATIONS

LISTING

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

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

BOARD OF DIRECTORS

Executive Directors

Li Tzar Kai, Richard
Benjamin Lam Yu Yee *(Deputy Chairman and Group Managing Director)*
James Chan
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

COMPANY SECRETARY

Timothy Tsang

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