



Pacific Century
Premium Developments
盈科大衍地產發展

STOCK CODE: 00432

INTERIM REPORT 2021



BROADENING
OUR
VISION

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STATEMENT FROM THE NON-EXECUTIVE CHAIRMAN

Vaccination programmes have brought optimism and encouraged a stronger and sustainable global economic growth. We remain positive as to the outlook and prospect of the real estate sector in Hong Kong.

During the first half of 2021, governments around the world focused their attentions on the supply of COVID-19 vaccines, the rate of vaccination and the implementation and adjustment of various anti-pandemic plans including lock downs and border control measures. Vaccination programmes have brought optimism and encouraged a stronger and sustainable global economic growth. According to the latest report published by the IMF, the global economic growth rate is projected to be at 6 per cent for 2021.

The recovery however remains uncertain with the spreading of the mutated COVID-19 variants, especially the Delta variant. With the recent surge in COVID-19 cases in Japan, the Japanese government had implemented various spectators ban on many Olympic events held in July 2021. We hope the pandemic conditions in Japan will improve when more people are being vaccinated, and with government relief measures, the domestic tourism and consumption demand in Japan will improve in the coming months.

In Hong Kong, the private residential property market has continued to be strong during the first two quarters driven by the continuous low interest rate environment and strong pent up demands despite global economic uncertainties. We remain positive as to the outlook and prospect of the real estate sector in Hong Kong.

I would like to take this opportunity to express my gratitude to our shareholders, colleagues, business partners and stakeholders for their support throughout this challenging year.

Robert Lee

Non-Executive Chairman

August 4, 2021

STATEMENT FROM THE DEPUTY CHAIRMAN AND GROUP MANAGING DIRECTOR

With the support of fiscal stimulus measures from governments and the improving market sentiment, the Group is confident in its future.

The Group recorded a consolidated revenue of approximately HK\$212 million for the six months ended June 30, 2021, compared to approximately HK\$1,602 million for the same period of 2020.

Consolidated operating loss of the Group for the period under review amounted to approximately HK\$209 million, compared to an operating loss of approximately HK\$114 million for the first half of 2020.

The Group's consolidated loss attributable to equity holders of the Company for the first six months of 2021 totalled HK\$417 million, compared to a net loss of approximately HK\$253 million for the corresponding period last year. Basic loss per share for the six months ended June 30, 2021 was approximately 22.55 Hong Kong cents, compared to a loss per share of approximately 15.91 Hong Kong cents for the six months of 2020.

The Board of Directors did not declare an interim dividend for the first half of 2021.

To enhance the Group's financial flexibility, PCPD issued US\$800 million 5.125 per cent bonds due 2026 in June this year. Part of the proceeds received will be used for redeeming the existing bond of US\$700 million due in March 2022.

In Hokkaido, Japan, the pandemic has been extremely challenging for the local business community. The occupancy rate of the Park Hyatt Niseko, Hanazono, has remained low since the beginning of the year and the declaration of a state of emergency by the Hokkaido government in mid-May has also affected our businesses in Japan.

In Southeast Asia, PCPD's premium commercial building in Indonesia, Pacific Century Place, Jakarta, has maintained a stable performance. 81 per cent of the office space was occupied as at June 30, 2021. In Phang Nga, Thailand, the golf club house and the 18-hole golf course will soon be opened in third quarter this year.

In respect of our property development project in 3-6 Glenealy, Central, Hong Kong, the demolition work is in progress and it is expected that construction work will commence later this year.

The uncertainty associated with the pandemic will continue to be high in the second half of this year. With the support of fiscal stimulus measures from governments and the improving market sentiment, the Group is confident in its future and the management team will continue to closely monitor the situation and cautiously plan and operate our businesses under these challenging and changing times.

Benjamin Lam

Deputy Chairman and Group Managing Director

August 4, 2021

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, 2021 is set out below.

REVIEW OF OPERATIONS

Property investment and development

Property investment in Indonesia

In Indonesia, our premium office building, Pacific Century Place, Jakarta ("PCP Jakarta"), located at the CBD has maintained a stable performance. At the end of June 30, 2021, office space occupancy was at 81 per cent. The gross rental income amounted to approximately HK\$124 million for the six months ended June 30, 2021 as compared to approximately HK\$118 million for the corresponding period in 2020.

Property development in Japan

In Hokkaido, Japan, 96 per cent of the units of the Park Hyatt Niseko Hanazono Residences ("Branded Residences") have been sold or reserved at the end of June 30, 2021.

The Group's revenue from its property development in Japan amounted to approximately HK\$21 million for the six months ended June 30, 2021, as compared to approximately HK\$1,329 million for the corresponding period in 2020 since revenue for most of the Branded Residences had been recognised in 2020.

Property development in Thailand

In Phang Nga, Thailand, the Group has sold or reserved 33 per cent of our phase 1A villas. The golf club house and the 18-hole golf course will soon be opened in the third quarter this year. The operation team is ready to welcome golfers at all levels who want to explore the stunning green course and leisure environment and services.

Property development in Hong Kong

For the project of 3-6 Glenealy, Central, Hong Kong, the demolition work is in progress and it is expected the construction work will commence later this year.

Hotel operations, recreation and leisure operation in Japan

Hotel operations in Japan

In Hokkaido, Japan, the pandemic has been extremely challenging for the local business community. The occupancy rate of the Park Hyatt Niseko, Hanazono, has remained low since the beginning of the year and the declaration of state of emergency in mid-May has also affected our business in Japan.

The Group's revenue from its hotel operations in Japan amounted to approximately HK\$21 million for the six months ended June 30, 2021, as compared to approximately HK\$45 million for the corresponding period in 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 COVID-19 impact on the tourism industry in Niseko continues to affect the all-season recreational activities business. The Group's revenue from its all-season recreational activities amounted to approximately HK\$19 million for the six months ended June 30, 2021, as compared to approximately HK\$71 million for the corresponding period in 2020.

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, 2021, as compared to approximately HK\$15 million for the corresponding period in 2020.

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\$12 million for the six months ended June 30, 2021, as compared to approximately HK\$24 million for the corresponding period in 2020. The decrease in revenue is mainly due to the effect of the COVID-19 impact on the tourism industry in Japan during the period on the property management business in Japan.

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was approximately HK\$212 million for the six months ended June 30, 2021, representing a decrease of approximately 87 per cent from approximately HK\$1,602 million for the corresponding period in 2020. The decrease was mainly due to less sales of properties in Japan in current period and the adverse impact of COVID-19 on the Group's hotel and recreation and leisure operations in Niseko, Japan.

The consolidated gross profit for the six months ended June 30, 2021 was approximately HK\$145 million, representing a decrease of approximately 48 per cent from approximately HK\$277 million for the corresponding period in 2020. The gross profit margin for the six months ended June 30, 2021 was 68 per cent as compared to 17 per cent for the corresponding period in 2020.

The general and administrative expenses were approximately HK\$355 million for the six months ended June 30, 2021, representing a decrease of 9 per cent from approximately HK\$391 million for the corresponding period in 2020. The decrease was mainly attributable to the decrease in operating costs of the Group's hotel operations and recreation and leisure operations in Niseko, Japan due to reduced operations during the period.

The consolidated operating loss for the six months ended June 30, 2021 increased to approximately HK\$209 million, as compared to approximately HK\$114 million for the corresponding period in 2020. Such increase was mainly due to the drop in the sale of properties in Japan during the period.

The Group recorded higher finance costs of approximately HK\$192 million for the six months ended June 30, 2021, as compared to approximately HK\$118 million for the same period in 2020. The increase was mainly due to the one-off loss arising from the partial redemption of the 4.75 per cent guaranteed notes due 2022 ("Notes") in June 2021. The consolidated net loss after taxation of approximately HK\$417 million for the six months ended June 30, 2021 was reported, as compared to approximately HK\$253 million for the corresponding period in 2020. Basic loss per share during the period under review was approximately 22.55 Hong Kong cents, compared to a basic loss per share of approximately 15.91 Hong Kong cents for the corresponding period in 2020.

Current assets and liabilities

As at June 30, 2021, the Group held current assets of approximately HK\$5,451 million (December 31, 2020: HK\$2,599 million), mainly comprising cash and cash equivalents, properties under development/held for sale, 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 increase in cash by HK\$2,896 million representing the proceeds from issuance of the US\$800 million 5.125 per cent new guaranteed notes due 2026 ("New Notes") in June 2021 offset by the cash paid for the partial redemption of the Notes in June 2021. Sales proceeds held in stakeholders' accounts remained at approximately HK\$504 million as at June 30, 2021 (December 31, 2020: HK\$504 million). The level of restricted cash in current assets increased to approximately HK\$114 million as at June 30, 2021 from approximately HK\$113 million as at December 31, 2020.

As at June 30, 2021, the Group's total current liabilities amounted to approximately HK\$3,409 million, as compared to approximately HK\$2,003 million as at December 31, 2020. The increase was mainly attributable to the reclassification of the Notes from non-current liabilities to current liabilities. As at June 30, 2021, the current ratio was 1.60 (December 31, 2020: 1.30).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital structure, liquidity and financial resources

As at June 30, 2021, the Group's borrowings amounted to approximately HK\$11,346 million (December 31, 2020: HK\$8,203 million). The balance as at June 30, 2021 represented the amortised cost of financial liabilities in respect of the guaranteed notes of US\$1,116 million issued (equivalent to approximately HK\$8,664 million), the total outstanding principal amount of Japanese Yen ("JPY") 11,125 million (equivalent to approximately HK\$780 million) under all JPY loan facilities together with principal amount of HK\$1,991 million under the Hong Kong dollar loan facilities.

On March 9, 2017 and October 3, 2019, PCPD Capital Limited ("PCPD Capital"), an indirect wholly-owned subsidiary of the Company, issued respective principal amounts of US\$570 million and US\$130 million 4.75 per cent guaranteed notes due 2022 ("Notes"), 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 7, 2021, the Company announced to invite holders of the Notes to tender any or all Notes held by them for purchase by the Company for cash (the "Tender Offer"). On June 18, 2021, the Company completed the settlement of the Tender Offer, accepted for purchase and cancelled approximately US\$384 million in aggregate principal amount of the Notes. As at June 30, 2021, approximately US\$316 million in aggregate principal amount of the Notes remained outstanding.

On June 18, 2021, PCPD Capital issued in aggregate principal amount of US\$800 million 5.125 per cent new guaranteed notes due 2026 ("New Notes"), which are listed on the Singapore Exchange Securities Trading Limited. The estimated fair value of the option of the early redemption and repurchase rights are recognised as financial assets at fair value through profit or loss. The New Notes are irrevocably and unconditionally guaranteed by the Company. The New Notes rank *pari passu* among themselves and with all other present and future 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 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 the indirect wholly-owned subsidiary is subject to certain financial covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2021, none of the covenants were breached. The carrying value of the borrowing as at June 30, 2021 represents the outstanding principal amount of JPY1,125 million (equivalent to HK\$79 million) (December 31, 2020: JPY1,200 million) offset by the deferred arrangement fees of JPY26 million (equivalent to HK\$2 million) (December 31, 2020: JPY29 million).

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"). In April 2021, the HK\$ Loan 2021 was fully repaid and a new project development loan facility was entered by an indirect wholly-owned subsidiary of the Company which the lenders agreed to make available term loan facility up to an aggregate amount of HK\$1,382 million ("HK\$ Loan 2026"). The maturity date for the HK\$ Loan 2026 is the earlier of April 13, 2026 or twelve months after occupation permit of the development project in Hong Kong being issued by the building authority. The HK\$ Loan 2026 is secured by certain land and property, bank accounts, shares and other assets of the indirect non-wholly owned subsidiaries and 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 of June 30, 2021, none of the covenants were breached and the carrying value of the HK\$ Loan 2026 represents the loan drawdown of HK\$821 million offset by the deferred loan arrangement costs of HK\$14 million.

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. In February 2020, the Borrower has fully repaid the JPY Facility 2021. The JPY Facility 2023 is secured by certain land and property, 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, 2021, 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\$701 million) (December 31, 2020: JPY10,000 million) offset by the deferred loan arrangement costs of JPY98 million (equivalent to HK\$7 million) (December 31, 2020: JPY124 million).

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, 2021, 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, 2020: HK\$1,170 million) offset by the deferred loan arrangement costs of HK\$10 million (December 31, 2020: HK\$11 million).

The Group’s borrowings are denominated in US dollars, Hong Kong dollars and Japanese Yen while the cash and bank deposits are also held mainly in US dollars, Hong Kong dollars and Japanese Yen. 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, 2021, the assets of the Group in Indonesia, Japan and Thailand represented approximately 28 per cent, 22 per cent and 7 per cent of the Group’s total assets respectively. The Group’s currency exposure with respect to these operations is subject to fluctuations in the exchange rates of Indonesian Rupiah, Japanese Yen and Thai Baht.

Cash used in operating activities for the six months ended June 30, 2021 is approximately HK\$298 million, as compared to cash generated from operating activities in the amount of approximately HK\$997 million for the corresponding period in 2020 as the Group received significant amount of proceeds from the sale of properties in 2020.

Income tax

The Group’s income tax for the six months ended June 30, 2021 was approximately HK\$17 million, as compared to approximately HK\$29 million for the corresponding period in 2020. The decrease was mainly due to the one-off withholding tax provision made for the period ended June 30, 2020 on the profits generated from sales of properties in Japan in 2020.

Security on assets

As at June 30, 2021, certain assets of the Group with an aggregated carrying value of approximately HK\$8,144 million (December 31, 2020: HK\$8,336 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\$99 million).

MANAGEMENT'S DISCUSSION AND ANALYSIS

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\$99 million) and a penalty of IDR183,834.4 million (approximately HK\$99 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\$198 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 condensed consolidated statement of financial position as at June 30, 2021. No provision of impairment has been recognised for the VAT balance as at June 30, 2021.

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2021, the Group employed a total number of 867 staff in Hong Kong and overseas (inclusive of property management staff borne by owners' account and seasonal staff employed overseas). The remuneration policies of the Group are in line with prevailing industry practices. Bonuses are paid on a discretionary basis taking into account factors such as performance of individual employees and the Group's performance as a whole. The Group provides comprehensive employee benefits, including medical insurance, a choice of provident fund or mandatory provident fund as well as training programs. The Group is also a participating member of the PCCW employee share incentive award schemes.

The Company operates a share option scheme which was adopted by its shareholders at the Company's annual general meeting held on 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, 2021 (2020: Nil).

The Board did not recommend the payment of a final dividend for the year ended December 31, 2020.

OUTLOOK

The global economy has visible improvement in the first half of 2021. Vaccine programmes have brought optimism and encouraged a stronger and sustainable economic growth. According to the latest report published by the IMF, the global economic growth rate is projected to be at 6 per cent for 2021.

To enhance the Group's financial flexibility, PCPD issued US\$800 million 5.125 per cent bonds due 2026 in June this year. Part of the proceeds received will be used for redeeming the existing bond of US\$700 million due in March 2022.

The recovery however remains uncertain with the spreading of the mutated COVID-19 variants, especially the Delta variant. With the recent surge in COVID-19 cases in Japan, the Japanese government had implemented various spectators ban on many Olympic events held in July 2021. We hope the pandemic conditions in Japan will improve when more people are being vaccinated, and with government relief measures, the domestic tourism and consumption demand in Japan will improve in the coming months.

The uncertainty associated with the pandemic will continue to be high in the second half of the year, the Group is confident in its future and the management team will continue to closely monitor the situation and cautiously plan our businesses development during this evolving time.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Mr Li, aged 54, 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;
- (8) Chairman and Executive Director of Singapore-based Pacific Century Regional Developments Limited ("PCRD"), and the Chairman of PCRD's Executive Committee; and
- (9) a Director of certain FWD group companies.

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 60, 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.

BOARD OF DIRECTORS

HUI Hon Hing, Susanna

Ms Hui, aged 56, 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 70, 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.

Dr Allan ZEMAN, GBM, GBS, JP

Dr Zeman, aged 73, 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, 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 50 years, Dr Zeman has been very involved in Government services as well as community activities. He is 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 June 2015, Dr Zeman was appointed as a board member of the Airport Authority 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 the Chief Executive's Council of Advisers on Innovation and Strategic Development and a member of the 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 69, 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 Hong Kong Special Administrative Region for his contributions in education, housing, industry and technology development. In addition, Prof Wong was appointed a Justice of the Peace in July 2000. He studied Economics at the University of Chicago and graduated with a Doctorate in Philosophy.

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

- (1) Great Eagle Holdings Limited; 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.

BOARD OF DIRECTORS

CHIANG Yun

Ms Chiang, aged 53, 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 27 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 Sands China Ltd. ("Sands") and Goodbaby International Holdings Limited ("Goodbaby") which are listed in Hong Kong as well as a member of Remuneration Committee of Goodbaby and the Chairlady of Environmental, Social and Governance Committee of Sands. 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 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 49, 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 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

- 14** Condensed Consolidated Statement of Comprehensive Income
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2021

HK\$ million	Notes	2021 (Unaudited)	2020 (Unaudited)
Revenue	2	212	1,602
Cost of sales		(67)	(1,325)
Gross profit		145	277
General and administrative expenses		(355)	(391)
Other income		1	—
Operating loss		(209)	(114)
Interest income		1	8
Finance costs	3	(192)	(118)
Loss before taxation	4	(400)	(224)
Income tax	5	(17)	(29)
Loss attributable to equity holders of the Company		(417)	(253)
Other comprehensive loss:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation differences:			
Exchange differences on translating foreign operations		(295)	(82)
Total comprehensive loss		(712)	(335)
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	7	(22.55) cents	(15.91) cents

The notes on pages 19 to 36 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2021

HK\$ million	2021 (Unaudited)							Attributable to		Total equity
	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserves	Retained earnings	equity			
							holders of the Company	non-controlling interests		
Balance at January 1, 2021	3,438	(565)	(518)	—	10	849	3,214	133	3,347	
Total comprehensive loss for the period	—	—	(295)	—	—	(417)	(712)	—	(712)	
Shares issued under rights issue	364	—	—	—	—	—	364	—	364	
Balance at June 30, 2021	3,802	(565)	(813)	—	10	432	2,866	133	2,999	

HK\$ million	2020 (Unaudited)							Attributable to		Total equity
	Issued equity	Capital reserve	Currency translation reserve	Convertible notes reserve	Other reserves	Retained earnings	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	

The notes on pages 19 to 36 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

HK\$ million	Notes	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	8	3,640	3,699
Property, plant and equipment	9	3,083	3,337
Right-of-use assets		45	30
Properties under development	10(a)	2,617	345
Properties held for development	10(b)	456	2,712
Goodwill		5	5
Financial assets at fair value through profit or loss		4	1
Prepayments and other receivables		253	265
		10,103	10,394
Current assets			
Properties under development/held for sale	10(a)	272	279
Inventories		14	17
Sales proceeds held in stakeholders' accounts		504	504
Restricted cash		114	113
Trade receivables, net	11	15	27
Prepayments, deposits and other current assets		428	448
Amounts due from fellow subsidiaries		1	1
Amounts due from related companies		4	6
Financial assets at fair value through profit or loss		1	2
Cash and cash equivalents		4,098	1,202
		5,451	2,599

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

HK\$ million	Notes	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)
Current liabilities			
Short-term borrowings	14	2,449	807
Current portion of long-term borrowings	14	11	11
Trade payables	12	4	14
Accruals and other payables		497	713
Deferred income and contract liabilities	15	84	90
Lease liabilities		21	27
Amount payable to the HKSAR Government under the Cyberport Project Agreement	13	334	330
Current income tax liabilities		9	11
		3,409	2,003
Net current assets		2,042	596
Total assets less current liabilities		12,145	10,990
Non-current liabilities			
Long-term borrowings	14	8,886	7,385
Other payables		179	178
Deferred income and contract liabilities	15	26	34
Lease liabilities		28	7
Deferred income tax liabilities		27	39
		9,146	7,643
Net assets		2,999	3,347
CAPITAL AND RESERVES			
Issued equity	16	3,802	3,438
Reserves		(936)	(224)
Capital and reserves attributable to equity holders of the Company		2,866	3,214
Non-controlling interests		133	133
		2,999	3,347

The notes on pages 19 to 36 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

HK\$ million	2021 (Unaudited)	2020 (Unaudited)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(298)	997
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(40)	(88)
Additions to investment properties	(1)	(1)
NET CASH USED IN INVESTING ACTIVITIES	(41)	(89)
FINANCING ACTIVITIES		
Proceeds from bank borrowings, net	805	—
Proceeds from share issuance, net	364	—
Proceeds from issuance of guaranteed notes, net	6,155	—
(Increase)/decrease in restricted cash	(2)	476
Repayment of bank borrowing	(813)	(713)
Payment for borrowing costs	(186)	(166)
Payment for lease liabilities (including interest)	(23)	(23)
Payment for redemption of guaranteed notes	(3,035)	—
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	3,265	(426)
INCREASE IN CASH AND CASH EQUIVALENTS	2,926	482
Exchange difference	(30)	13
CASH AND CASH EQUIVALENTS		
Balance at January 1,	1,202	1,378
Balance at June 30,	4,098	1,873

The notes on pages 19 to 36 form part of these unaudited condensed consolidated financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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, 2020, 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, 2020.

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, 2020.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2021

2. REVENUE AND SEGMENT INFORMATION

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

HK\$ million	Revenue (note a)				Reportable segment revenue		Results		Other information	
	Revenue from external customers		Inter-segment revenue		Reportable segment revenue		Segment results before taxation		Additions to non-current segment assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
All-season recreational activities in Japan	19	71	—	—	19	71	(30)	5	34	15
Property investment in Indonesia	124	118	—	—	124	118	81	49	1	2
Property development in Thailand	—	—	—	—	—	—	(19)	(8)	9	54
Property development in Japan	21	1,329	—	—	21	1,329	(11)	68	12	4
Hotel operations in Japan	21	45	—	1	21	46	(135)	(152)	1	24
Property and facilities management in Hong Kong	15	15	—	—	15	15	4	5	—	—
Property development in Hong Kong	—	—	—	—	—	—	(2)	(8)	43	17
Other businesses (note b)	12	24	1	1	13	25	(3)	2	—	—
Elimination	—	—	(1)	(2)	(1)	(2)	—	—	—	—
Total of reported segments	212	1,602	—	—	212	1,602	(115)	(39)	100	116
Unallocated	—	—	—	—	—	—	(285)	(185)	—	4
Consolidated	212	1,602	—	—	212	1,602	(400)	(224)	100	120

2. REVENUE AND SEGMENT INFORMATION — CONTINUED

HK\$ million	Assets		Liabilities	
	June 30, 2021	December 31, 2020	June 30, 2021	December 31, 2020
As at				
All-season recreational activities in Japan	635	651	24	75
Property investment in Indonesia	4,365	4,428	312	333
Property development in Thailand	1,020	1,048	60	65
Property development in Japan	748	1,032	159	285
Hotel operations in Japan	2,097	2,344	790	853
Property and facilities management in Hong Kong	22	22	3	3
Property development in Hong Kong	2,413	2,342	811	809
Other businesses (note b)	86	93	15	18
Total of reported segments	11,386	11,960	2,174	2,441
Unallocated	4,168	1,033	10,381	7,205
Consolidated	15,554	12,993	12,555	9,646

- a. For the six months ended June 30, 2021 and June 30, 2020, the timing of revenue recognition is as follow:

HK\$ million	2021	2020
External revenue from contracts with customers:		
Timing of revenue recognition		
– At a point in time	36	1,361
– Over time	87	157
External revenue from other sources:		
– Rental income	89	84
	212	1,602

- b. 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. These segments have never met any of the quantitative thresholds for determining reportable segments.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2021

3. FINANCE COSTS

HK\$ million	Six months ended June 30,	
	2021	2020
Interest expenses:		
– Bank borrowings	23	42
– Guaranteed notes (note 14(a) and 14(b))	142	133
– Lease liabilities	1	1
– Other finance costs	2	2
– Loss on redemption of guaranteed notes (note 14(a))	60	–
– Exchange loss/(gain) on guaranteed notes	8	(27)
	236	151
– Interest capitalised into properties under development/held for development	(40)	(24)
– Interest capitalised into property, plant and equipment	(4)	(9)
	192	118

4. LOSS BEFORE TAXATION

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

HK\$ million	Six months ended June 30,	
	2021	2020
Cost of properties sold and sales related expenses	18	1,245
Cost of inventories sold	3	4
Depreciation of property, plant and equipment	89	83
Depreciation of right-of-use assets		
– properties	23	23
Loss on disposal of properties, plant and equipment	2	—
Outgoings in respect of investment properties	24	30
Staff costs (note i), included in:		
– cost of sales	10	13
– general and administrative expenses	104	124
Contributions to defined contribution retirement schemes included in		
– general and administrative expenses	3	3
Share-based compensation expenses	1	2
Auditor's remuneration		
– audit services	2	2
Net foreign exchange loss/(gain)	6	(8)
Variable lease payment expenses	3	4
Short-term leases expenses	1	1

- (i) For the six months ended June 30, 2021, the Group received subsidies from Japan government to aid the economic pressures from COVID-19 to the Group of which HK\$5 million (2020: nil) is netted off with staff costs in the Group's cost of sales.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2021

5. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the period.

Income tax 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,	
	2021	2020
Current income tax		
Hong Kong profits tax	1	1
Income tax outside Hong Kong	28	24
Deferred income tax		
Other origination and reversal of temporary differences	(12)	4
	17	29

6. DIVIDEND

HK\$ million	Six months ended June 30,	
	2021	2020
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,	
	2021	2020
Loss (HK\$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	(417)	(253)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	1,848,914,697	1,587,296,022

The weighted average number of shares of the Company for the six months period ended June 30, 2021 has been adjusted to reflect the effect of the rights issue which took place on March 24, 2021.

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. On September 29, 2020, bonus convertible notes in an aggregate amount of HK\$592,533,333.20 at the conversion price of HK\$0.50 per share were converted into 1,185,066,666 shares of the Company.

As at June 30, 2021, bonus convertible notes in an aggregated amount of HK\$592,552,133.20 (June 30, 2020: HK\$18,800) have been converted into 1,185,104,266 shares of the Company (June 30, 2020: 37,600 shares). The outstanding bonus convertible notes in an aggregated amount of HK\$20,021.20 (June 30, 2020: HK\$592,553,354.40) at the conversion price of HK\$0.50 per share convertible into 40,042 (June 30, 2020: 1,185,106,708) have been included in the weighted average number of ordinary shares for calculating the basic loss per share for the six months ended June 30, 2021 and June 30, 2020.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2021

8. INVESTMENT PROPERTIES

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

HK\$ million	2021	2020
At January 1,	3,699	3,762
Additions	1	1
Exchange differences	(60)	(100)
At June 30,	3,640	3,663

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

HK\$ million	Fair value measurement as at June 30, 2021		
	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	—	—	3,584
– Hong Kong	—	—	56

HK\$ million	Fair value measurement as at December 31, 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	—	—	3,643
– Hong Kong	—	—	56

During the six months ended June 30, 2021 and year ended December 31, 2020, there were no transfers between different levels.

For the investment properties, the fair value of the properties as at June 30, 2021 and December 31, 2020 were following the income 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 rental 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, 2021, additions to property, plant and equipment mainly include the increase in construction in progress of HK\$28 million for the development of Niseko resort area, Kutchan, Hokkaido, Japan and the increase in property, plant and equipment of HK\$9 million for the golf and country club house and the golf course in Thailand.

10. PROPERTIES UNDER DEVELOPMENT/HELD FOR SALE/HELD FOR DEVELOPMENT

a. Properties under development/held for sale

HK\$ million	2021	2020
At January 1,	624	1,712
Additions	38	32
Charged to income statement	(17)	(1,137)
Transfer from properties held for development	2,272	—
Exchange differences	(28)	(2)
At June 30,	2,889	605
Less: Properties under development classified as non-current assets	(2,617)	(322)
Properties under development/held for sale classified as current assets	272	283

- (i) Properties under development classified as non-current assets as at June 30, 2021 consists of HK\$2,272 million for a property in Hong Kong and HK\$345 million for the freehold land under development in Japan which is held by an indirect wholly-owned subsidiary. During the six months period ended June 30, 2021, a property in Hong Kong of carrying amount of HK\$2,272 million has been transferred from properties held for development to properties under development.
- (ii) Properties under development/held for sale classified as current assets as at June 30, 2021 consists of HK\$111 million for the branded residences project completed and held for sale in Hokkaido, Japan and HK\$161 million for first phase development project under construction in Thailand.

b. Properties held for development

HK\$ million	2021	2020
At January 1,	2,712	2,653
Additions	43	22
Transfer to properties under development	(2,272)	—
Exchange differences	(27)	(14)
At June 30,	456	2,661

Properties held for development as at June 30, 2021 represent the freehold land in Thailand which the Group intends to hold for future development projects.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2021

11. TRADE RECEIVABLES, NET

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

HK\$ million	As at June 30, 2021	As at December 31, 2020
1-30 days	12	23
31-90 days	3	4
	15	27

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, 2021	As at December 31, 2020
1-30 days	4	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, 2021, the amount attributable to the HKSAR Government share under Cyberport Project Agreement was HK\$334 million (December 31, 2020: HK\$330 million).

14. BORROWINGS

HK\$ million	As at June 30, 2021	As at December 31, 2020
Borrowings, repayable within a period		
– not exceeding one year	2,460	818
– over one year, but not exceeding two years	705	5,421
– over two years, but not exceeding five years	8,157	1,932
– over five years	24	32
	11,346	8,203
Representing:		
Guaranteed notes (note a and b)	8,609	5,410
Bank borrowings (notes c, d, e and f)	2,737	2,793
	11,346	8,203
Secured	2,737	2,793
Unsecured	8,609	5,410

- a. On March 9, 2017 and October 3, 2019, PCPD Capital Limited (“PCPD Capital”), an indirect wholly-owned subsidiary of the Company, issued respective principal amounts of US\$570 million and US\$130 million 4.75% guaranteed notes due 2022 (“Notes”), 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 7, 2021, the Company announced to invite holders of the Notes to tender any or all Notes held by them for purchase by the Company for cash (the “Tender Offer”). On June 18, 2021, the Company completed the settlement of the Tender Offer, accepted for purchase and cancelled approximately US\$384 million in aggregate principal amount of the Notes. As at June 30, 2021, approximately US\$316 million in aggregate principal amount of the Notes remained outstanding.
- b. On June 18, 2021, PCPD Capital issued in aggregate principal amount of US\$800 million 5.125% new guaranteed notes due 2026 (“New Notes”), which are listed on the Singapore Exchange Securities Trading Limited. The estimated fair value of the option of the early redemption and repurchase rights are recognised as financial assets at fair value through profit or loss. The New Notes are irrevocably and unconditionally guaranteed by the Company. The New Notes rank pari passu among themselves and with all other present and future unsecured and unsubordinated obligations of PCPD Capital and the Company.
- c. 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 the indirect wholly-owned subsidiary is subject to certain financial covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2021, none of the covenants were breached. The carrying value of the borrowing as at June 30, 2021 represents the outstanding principal amount of JPY1,125 million (equivalent to HK\$79 million) (December 31, 2020: JPY1,200 million) offset by the deferred arrangement fees of JPY26 million (equivalent to HK\$2 million) (December 31, 2020: JPY29 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2021

14. BORROWINGS — CONTINUED

- d. 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”). In April, 2021, the HK\$ Loan 2021 was fully repaid and a new project development loan facility was entered by an indirect wholly-owned subsidiary of the Company which the lenders agreed to make available term loan facility up to an aggregate amount of HK\$1,382 million (“HK\$ Loan 2026”). The maturity date for the HK\$ Loan 2026 is the earlier of April 13, 2026 or twelve months after occupation permit of the development project in Hong Kong being issued by the building authority. The HK\$ Loan 2026 is secured by certain land and property, bank accounts, shares and other assets of the indirect non-wholly owned subsidiaries and 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 of June 30, 2021, none of the covenants were breached and the carrying value of the HK\$ Loan 2026 represents the loan drawdown of HK\$821 million offset by the deferred loan arrangement costs of HK\$14 million.
- e. 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. In February 2020, the Borrower has fully repaid the JPY Facility 2021. The JPY Facility 2023 is secured by certain land and property, 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, 2021, 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\$701 million) (December 31, 2020: JPY10,000 million) offset by the deferred loan arrangement costs of JPY98 million (equivalent to HK\$7 million)(December 31, 2020: JPY124 million).
- f. 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, 2021, 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, 2020: HK\$1,170 million) offset by the deferred loan arrangement costs of HK\$10 million (December 31, 2020: HK\$11 million).

15. DEFERRED INCOME AND CONTRACT LIABILITIES

HK\$ million	As at June 30, 2021	As at December 31, 2020
Deferred income:		
Rental income from investment properties	75	91
Less: Amount classified as non-current liabilities	(26)	(34)
	49	57
Contract liabilities:		
Deposits received from sale of properties and other revenue receipt in advance	35	33
Deferred income and contract liabilities classified as current liabilities	84	90

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, 2020, June 30, 2020	402,189,313	2,846
Shares issued for exercise of bonus convertible note (note c)	1,185,066,666	592
Ordinary shares of HK\$0.50 each at January 1, 2021	1,587,255,979	3,438
Shares issued under rights issue (note d)	450,980,764	364
Ordinary shares of HK\$0.50 each at June 30, 2021	2,038,236,743	3,802

- 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2021

16. ISSUED EQUITY — CONTINUED

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, 2021	4,000,000,000	2,000
Issued and fully paid:		
Ordinary shares of HK\$0.50 each at January 1, 2020, June 30, 2020	402,189,313	201
Shares issued for exercise of bonus convertible note (note c)	1,185,066,666	592
Ordinary shares of HK\$0.50 each at January 1, 2021	1,587,255,979	793
Shares issued under rights issue (note d)	450,980,764	364
Ordinary shares of HK\$0.50 each at June 30, 2021	2,038,236,743	1,157

c. Pursuant to an ordinary resolution passed at the special general meeting of the Company held on May 2, 2012 and the announcements dated May 16, 2012 and June 21, 2012 in relation to the bonus issue of shares (with a right for shareholders to elect to receive bonus convertible notes in lieu of bonus shares), 405,378,544 bonus shares of HK\$0.10 each were allotted and issued on June 22, 2012 on the basis of four (4) bonus shares for every one (1) issued share held by the qualifying shareholders of the Company whose names appeared on the register of members of the Company on May 30, 2012 (other than those qualifying shareholders who had elected to receive bonus convertible notes in lieu of all of their entitlement to the bonus shares).

Bonus convertible notes of HK\$592,572,154.40 at the conversion price of HK\$0.10 per share were issued by the Company on June 22, 2012. Immediately after the share consolidation which took effect on June 25, 2012, the conversion price of the bonus convertible notes was adjusted from HK\$0.10 per share to HK\$0.50 per share pursuant to the terms of the applicable deed poll. On September 29, 2020, bonus convertible notes in an aggregate amount of HK\$592,533,333.20 at the conversion price of HK\$0.50 per share were converted into 1,185,066,666 shares of the Company.

As at June 30, 2021, the remaining bonus convertible notes in an aggregated amount of HK\$20,021.20 are unlisted and irredeemable but have conversion rights entitling the noteholders to convert into an equivalent number of shares as the number of bonus shares which the noteholders would otherwise be entitled to receive under the bonus issue had the shareholder not elected for the bonus convertible notes. The bonus convertible notes do not carry voting rights at any general meeting of shareholders of the Company. The noteholders can exercise the conversion rights at any time after the issue of bonus convertible notes, subject to the terms and conditions of the applicable deed poll constituting the bonus convertible notes. The bonus convertible notes were recognised as equity and are presented in "Convertible notes reserve" in the consolidated statement of changes in equity. Upon conversion of the bonus convertible notes, the equivalent amount was converted into issued share capital.

d. On March 24, 2021, the Company completed a rights issue of 450,980,764 rights shares at a subscription price of HK\$0.82 per rights share on the basis of one rights shares for every two existing ordinary shares of the Company held by qualifying shareholders on February 25, 2021. The net proceeds from the rights issue, after deducting directly attributable costs were approximately HK\$364 million. Details of the rights issue were disclosed in the Company's prospectus dated February 26, 2021 and announcements dated December 31, 2020 and March 23, 2021. All new shares issued during the year rank pari passu in all respects with the existing shares.

17. CAPITAL COMMITMENTS

HK\$ million	As at June 30, 2021	As at December 31, 2020
Contracted but not provided for		
Property development projects	70	106
Investment properties	4	6
Property, plant and equipment	258	290
	332	402

18. BANKING FACILITY

Aggregate banking facilities as at June 30, 2021 were HK\$3,332 million (December 31, 2020: HK\$2,817 million) of which HK\$561 million remain undrawn by the Group (December 31, 2020: nil) (See Note 14).

Security pledged for the banking facilities includes:

HK\$ million	As at June 30, 2021	As at December 31, 2020
Investment properties	3,584	3,643
Property, plant and equipment	2,084	2,290
Properties under development	2,272	—
Properties held for development	—	2,229
Restricted cash	9	11
Cash and cash equivalents	195	163
	8,144	8,336

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\$99 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2021

19. CONTINGENT LIABILITIES — CONTINUED

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\$99 million) and a penalty of IDR183,834.4 million (approximately HK\$99 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\$198 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 condensed consolidated statement of financial position as at June 30, 2021. No provision of impairment has been recognised for the VAT balance as at June 30, 2021.

20. MATERIAL RELATED PARTY TRANSACTIONS

PCCW Limited ("PCCW", a company incorporated in Hong Kong) holds approximately 31.17 per cent (December 31, 2020: 40.03 per cent) of the Company's total issued shares.

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,	
	2021	2020
Sales of services:		
– Fellow subsidiaries		
Office leases rental	1	1
– Related companies		
Facility management services	4	5
Office leases rental	8	8
Purchases of services:		
– Fellow subsidiaries		
Corporate services	1	1
Information technology and other logistic services	2	1
Interest expenses of guaranteed notes:		
– Immediate holding company	13	13

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

20. MATERIAL RELATED PARTY TRANSACTIONS — CONTINUED

b. Details of key management compensation

HK\$ million	Six months ended June 30,	
	2021	2020
Salaries and other short-term employee benefits	6	7
Bonuses	8	6
Directors' fee	2	2
Retirement scheme contribution	1	1
	17	16

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, 2021			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurement				
Assets				
Financial assets at fair value through profit or loss	1	4	—	5

HK\$ million	Fair value measurement as at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurement				
Assets				
Financial assets at fair value through profit or loss	3	—	—	3

During the six months ended June 30, 2021 and the year ended December 31, 2020, there were no transfers of financial instruments between different levels. There were no changes in valuation techniques during the period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2021

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, 2021 and December 31, 2020 except as follows:

HK\$ million	As at June 30, 2021		As at December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Guaranteed notes (note 14(a) and 14(b))	8,609	8,792	5,410	5,451

The significant inputs required for the fair value measurement of the guaranteed notes are observable. The fair values of the guaranteed notes are 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, 2021, the directors and chief executives of the Company and their respective close associates had the following interests or 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 (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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

1. Interests in the Company

The table below sets out the aggregate long positions in the shares of the Company (the "Shares") held by the directors and chief executives of the Company:

Name of director/ chief executive	Personal interests	Number of ordinary Shares held			Total	Approximate percentage of the total number of Shares in issue
		Family interests	Corporate interests	Other interests		
Li Tzar Kai, Richard	—	—	207,267,814 <i>(Note 1(a))</i>	402,164,972 <i>(Note 1(b))</i>	609,432,786	29.90%
Lee Chi Hong, Robert	107,200 <i>(Note 1(a))</i>	55 <i>(Note 1(b))</i>	—	—	107,255	0.01%

GENERAL INFORMATION

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

1. *Interests in the Company — Continued*

Notes:

- I. (a) Of these Shares, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), held 181,520,587 Shares, and Eisner Investments Limited ("Eisner") held 25,747,227 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 118,093,122 Shares 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 118,093,122 Shares held by PCGH; and
 - (ii) a deemed interest in 284,071,850 Shares 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 284,071,850 Shares 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.

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. Interests in the Associated Corporations of the Company

A. PCCW Limited ("PCCW")

The table below sets out the aggregate long positions in the shares of PCCW, the ultimate holding company of the Company, held by the directors and chief executives of the Company:

Name of director/ chief executive	Number of ordinary shares held				Total	Approximate percentage of the total number of shares of PCCW in issue
	Personal interests	Family interests	Corporate interests	Other interests		
Li Tzar Kai, Richard	—	—	462,287,134 <i>(Note I(a))</i>	1,928,842,224 <i>(Note I(b))</i>	2,391,129,358	30.93%
Lee Chi Hong, Robert	992,600 <i>(Note II(a))</i>	511 <i>(Note II(b))</i>	—	—	993,111	0.01%
Hui Hon Hing, Susanna	8,495,690	—	—	2,054,006 <i>(Note III)</i>	10,549,696	0.14%

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. *Interests in the Associated Corporations of the Company — Continued*

A. PCCW Limited ("PCCW") — Continued

Notes:

- I.
 - (a) Of these shares of PCCW, PCD, a wholly-owned subsidiary of Chiltonlink, held 269,471,956 shares, Eisner held 38,222,413 shares and Trade Champion Limited, a wholly-owned subsidiary of Excel Global Holdings Limited ("Excel Global"), held 154,592,765 shares. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink, Eisner and Excel Global.
 - (b) These interests represented:
 - (i) a deemed interest in 175,312,270 shares of PCCW held by PCGH. 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 PCRD. 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.
- 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. Interests in the Associated Corporations of the Company — Continued

B. HKT Trust and HKT Limited

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

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 <i>(Note I(a))</i>	158,764,423 <i>(Note I(b))</i>	225,012,037	2.97%
Lee Chi Hong, Robert	50,924 <i>(Note II(a))</i>	25 <i>(Note II(b))</i>	—	—	50,949	0.0007%
Hui Hon Hing, Susanna	4,344,539	—	—	812,389 <i>(Note III)</i>	5,156,928	0.07%
Vince Feng	16,000 <i>(Note IV)</i>	—	—	—	16,000	0.0002%

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. *Interests in the Associated Corporations of the Company — Continued*

B. 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.
- IV. These Share Stapled Units were held jointly by Vince Feng 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. Interests in the Associated Corporations of the Company — Continued

C. 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:

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.

D. Easy Treasure Limited ("Easy Treasure")

The table below sets out the aggregate long positions in the shares issued by Easy Treasure, an associated corporation of the Company, held by the director of the Company:

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

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. Interests in the Associated Corporations of the Company — Continued

Save as disclosed in the foregoing, as at June 30, 2021, 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 and 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 (the "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, 2021.

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 SHAREHOLDERS

As at June 30, 2021, the following persons (other than directors or chief executives of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) and had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of shareholder	Note(s)	Number of Shares/ underlying Shares held	Approximate percentage of the total number of Shares in issue
Long Positions			
PCCW	<i>I</i>	635,354,407	31.17%
PCGH	<i>II</i>	402,164,972	19.73%
Star Ocean Ultimate Limited	<i>III and IV</i>	402,164,972	19.73%
The Ocean Trust	<i>III</i>	402,164,972	19.73%
The Starlite Trust	<i>III</i>	402,164,972	19.73%
OS Holdings Limited	<i>III</i>	402,164,972	19.73%
Ocean Star Management Limited	<i>III</i>	402,164,972	19.73%
The Ocean Unit Trust	<i>III</i>	402,164,972	19.73%
The Starlite Unit Trust	<i>III</i>	402,164,972	19.73%
Star Ocean Ultimate Holdings Limited	<i>IV</i>	402,164,972	19.73%
Fung Jenny Wai Ling	<i>V</i>	402,164,972	19.73%
Huang Lester Garson	<i>V</i>	402,164,972	19.73%
PCRD		284,071,850	13.94%
PCD		181,520,587	8.91%

Notes:

- I. PCCW indirectly held these interests through Asian Motion Limited, a company wholly-owned by PCCW.
- II. These interests represented (i) PCGH's beneficial interests in 118,093,122 Shares; and (ii) PCGH's interests (through itself and its controlled corporations, being its wholly-owned subsidiaries, Borsington Limited, Pacific Century International Limited, Pacific Century Group (Cayman Islands) Limited and Anglang Investments Limited, which together controlled 88.63% of the issued share capital of PCRD) in 284,071,850 Shares held by PCRD.

GENERAL INFORMATION

INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS — CONTINUED

Notes: — Continued

- III. On April 18, 2004, Li Tzar Kai, Richard transferred the entire issued share capital of PCGH to Ocean Star Management Limited as trustee of The Ocean Unit Trust and The Starlite Unit Trust. The entire issued share capital of Ocean Star Management Limited was held by OS Holdings Limited. The Ocean Trust and The Starlite Trust held all units of The Ocean Unit Trust and The Starlite Unit Trust respectively. Star Ocean Ultimate Limited was the discretionary trustee of The Ocean Trust and The Starlite Trust.
- IV. On November 4, 2013, Star Ocean Ultimate Limited became a controlled corporation of Star Ocean Ultimate Holdings Limited.
- V. Fung Jenny Wai Ling and Huang Lester Garson were deemed to be interested in such Shares under the SFO as each of them controlled the exercise of one-third or more of the voting power at general meetings of each of Ocean Star Investment Management Limited, OS Holdings Limited and Star Ocean Ultimate Holdings Limited.

INTERESTS AND SHORT POSITIONS OF OTHER PERSONS REQUIRED TO BE DISCLOSED UNDER THE SFO

As at June 30, 2021, the following person (other than directors or chief executives or substantial shareholders (as disclosed in the previous section headed “Interests and Short Positions in Shares and Underlying Shares of Substantial Shareholders”) of the Company) had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name	Number of Shares/ underlying Shares held	Approximate percentage of the total number of Shares in issue
Long Positions		
Ocean Star Investment Management Limited <i>(Note)</i>	402,164,972	19.73%

Note:

Ocean Star Investment Management Limited was deemed interested under the SFO in the Shares by virtue of it being the investment manager of The Ocean Unit Trust and The Starlite Unit Trust which together held 100% of PCGH (see the notes to the previous section headed “Interests and Short Positions in Shares and Underlying Shares of Substantial Shareholders”).

Save as disclosed above in this section and the previous section headed “Interests and Short Positions in Shares and Underlying Shares of Substantial Shareholders”, the Company has not been notified of any other persons (other than director or chief executives of the Company) who had an interest or a short position in the Shares, underlying Shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO as at June 30, 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2021, 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, 2021 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, 2021.

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 (the "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, 2021.

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

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

INVESTOR RELATIONS

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Fax: +852 2514 2905

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

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41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED

(Incorporated in Bermuda with limited liability)

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