



Pacific Century
Premium Developments
盈科大衍地產發展

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INTERIM REPORT 2023

Defining and
Transforming
the Future





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STATEMENT FROM THE INDEPENDENT NON-EXECUTIVE CHAIRMAN

Having reinforced our premium and diverse portfolio, we are now in a stronger position to capture new growth opportunities in the post-COVID world.

The first half of 2023 has been marked by a mix of challenges, uncertainty and hope. Interest rate hikes, inflation, recession risk and geopolitical tensions have been looming large over the global economy.

Nevertheless, with countries reopening and life returning to normal after the pandemic, there has been encouraging development. Travel and tourism are flourishing again, with the rebound being especially pronounced in Asia. Meanwhile, China's re-opening has injected a renewed vigour to global demand and supply. In Europe, energy prices are falling and a major growth headwind is showing signs of easing. According to the International Monetary Fund ("IMF"), headline inflation appears to have peaked in the third quarter of 2022, although core inflation is still sticky.

While the outlook for 2023 remains challenging, the post-COVID travel boom, among other factors, is a boon to PCPD, whose wide array of premium-grade property and projects are related to tourism and the hospitality industry. Having reinforced our premium and diverse portfolio in the past few years, we are now in a stronger position to capture new growth opportunities in the post-COVID world.

During a period of significant changes in the external environment, including new travel habits and preferences, we will stay vigilant while continuing to pursue a prudent growth strategy, leveraging our solid foundation, business fundamentals and strong portfolio.

On behalf of PCPD, I would like to thank our shareholders and stakeholders for their steadfast support. I also extend my heartfelt gratitude to all staff and our management team in Hong Kong and overseas for their diligence and professionalism.

Richard Wong

Independent Non-Executive Chairman

August 1, 2023

STATEMENT FROM THE DEPUTY CHAIRMAN AND GROUP MANAGING DIRECTOR

Growth in tourism was particularly impressive in Japan, which resumed visa-free tourist travel in October 2022. Park Hyatt Niseko, Hanazono, our hospitality business in Hokkaido, logged a significant increase in occupancy and average room rate in the last winter season, while revenue from the ski-lift operation exceeded pre-pandemic levels.

The Group recorded a consolidated revenue of HK\$452 million for the six months ended June 30, 2023, compared to HK\$271 million for the same period of 2022.

The consolidated operating loss of the Group amounted to HK\$21 million, compared to an operating loss of HK\$108 million for the first half of 2022.

The Group's consolidated loss attributable to equity holders of the Company for the first six months of 2023 totalled HK\$221 million, compared to a net loss of HK\$336 million for the corresponding period last year. Basic loss per share for the six months ended June 30, 2023, was 10.85 Hong Kong cents, compared to a loss per share of 16.49 Hong Kong cents for the corresponding period of 2022.

The Board of Directors did not declare an interim dividend for the first half of 2023.

The first half of 2023 was a period of recovery for PCPD. During the period, many parts of Asia — one of the last regions to emerge from the pandemic — saw a strong rebound in the travel industry. Growth in tourism was particularly impressive in Japan, which resumed visa-free tourist travel in October 2022. Park Hyatt Niseko, Hanazono, our hospitality business in Hokkaido, logged a significant increase in occupancy and average room rate in the last winter season, while revenue from the ski-lift operation exceeded pre-pandemic levels. The world-class all-season resort in Niseko, with its pristine setting and sophisticated facilities including “42°N Art Hanazono — Mountain Lights” and “Hanazono Zipflight”, is expected to attract even more domestic and international travellers during the summer season.

In Southeast Asia, the Group has also taken advantage of the post-pandemic boom. Select marketing initiatives are slated for launch in the second half of the year, with a view to luring prospective buyers to the on-site show villa of our property development project in Phang Nga, Thailand and stimulating sales.

In Indonesia, our premium commercial property, Pacific Century Place, Jakarta (“PCP Jakarta”), has formed a strategic partnership with Asia's leading premium flexible workspace provider The Executive Centre (“TEC”) to launch Executive Centre @ PCP, a new flexible workplace solution. As a result of the pandemic, many companies and employees are now engaging in flexible working. Executive Centre @ PCP is capitalising on the new trend to make positive contributions to the Group's revenue in the long run.

Development of our luxury property at 3–6 Glenealy, Central, Hong Kong, has been progressing well since the piling work began. As Hong Kong has returned to a path of normality, we continue to focus on the construction and development of the premium project, and we will announce the sales details in due course.

Going forward, we will continue to pursue growth opportunities not only at home but also overseas, and we remain confident that PCPD's robust business model and strategic priorities will benefit our shareholders and stakeholders in the long run.

Benjamin Lam

Deputy Chairman and Group Managing Director

August 1, 2023

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, 2023 is set out below.

REVIEW OF OPERATIONS

Property investment and development

Property investment in Indonesia

In Jakarta, our premium commercial building, Pacific Century Place, Jakarta ("PCP Jakarta"), continued to deliver a stable performance and remained a solid revenue contributor for the Group. As at June 30, 2023, the office space occupancy was 83 per cent. The gross rental income amounted to HK\$121 million for the six months ended June 30, 2023, compared to HK\$122 million for the corresponding period in 2022.

In the second quarter of 2023, Executive Centre @ PCP, a flexible workplace solution in PCP Jakarta was launched under the partnership between our premium commercial property and Asia's leading premium flexible workspace provider, The Executive Centre ("TEC"). The strategic partnership was formed at a time when the way in which people work has changed significantly. As a result of the unprecedented COVID-19 pandemic, office workers now demand more flexibility and higher quality workspaces.

Property development in Japan

As with the corresponding period in 2022, the Group had no revenue from property development in Japan for the six months ended June 30, 2023.

Property development and golf operation in Thailand

In Phang Nga, Thailand, the Group has already sold or reserved 33 per cent of its phase 1A villas. The handover of completed villas and inspection with owners progressed well in the period under review. The Group's revenue from its property development in Thailand amounted to HK\$15 million for the six months ended June 30, 2023, compared to HK\$24 million for the same period in 2022.

With the strong recovery of Thailand's tourism sector, the Group's golf clubhouse and 18-hole golf course recorded an uptick in terms of the number of visitors and golf rounds in the first half of 2023. Total revenue from our golf operations in the country amounted to HK\$5 million for the six months ended June 30, 2023, compared to HK\$3 million for the same period in 2022.

Property development in Hong Kong

Piling work of the project at 3-6 Glenealy, Central, Hong Kong, has begun and has been progressing well.

Hotel operations, recreation and leisure operation in Japan

Hotel operations in Japan

Since Japan re-opened its borders to foreign travellers in October 2022, its tourism industry has been growing steadily. In the latest ski season, many overseas visitors returned to popular skiing destinations including Hokkaido for the first time since 2020. The occupancy rate of Park Hyatt Niseko, Hanazono, and the average room rate increased sharply as compared to the corresponding period last year.

The Group's revenue from its hotel operations in Japan amounted to HK\$153 million for the six months ended June 30, 2023, compared to HK\$60 million for the corresponding period in 2022.

Recreation and leisure operation in Japan

The Group's all-season recreational operation is located in Niseko, Hokkaido, Japan, one of the premium ski destinations in the world. The various facilities and recreational activities operated by the Group within the resort include "Hanazono EDGE" (a restaurant and entertainment centre), ski lifts, ski equipment rental, a ski school and snowmobile tours in the winter, "Hanazono Zipflight", "42°N Art Hanazono — Mountain Lights", rafting tours, tree-trekking, e-bikes and golfing in the summer.

As the pandemic is over and the tourism sector on a path of recovery, our resort has enjoyed an impressive boom in business. We have planned to further enhance the infrastructure and facilities to drive revenue and capture growing demand. For the six months ended June 30, 2023, the Group's revenue from its all-season recreational activities in Japan amounted to HK\$96 million, compared to HK\$33 million for the corresponding period in 2022.

Property and facilities management

Hong Kong

Providing property management and facilities management services in Hong Kong, the Group generated stable revenue of HK\$15 million for the six months ended June 30, 2023, compared to HK\$15 million for the corresponding period in 2022.

Japan

Revenue from property management services in Japan increased to HK\$41 million for the six months ended June 30, 2023, compared to HK\$9 million for the corresponding period in 2022.

Other businesses

Other businesses of the Group mainly represent property investment in Hong Kong. Revenue from these other businesses amounted to HK\$6 million for the six months ended June 30, 2023, compared to HK\$5 million for the corresponding period in 2022.

FINANCIAL REVIEW

Review of results

The consolidated revenue of the Group was HK\$452 million for the six months ended June 30, 2023, representing an increase of 67% from HK\$271 million for the corresponding period in 2022. The increase was mainly due to the increase in operating revenue from hotel operations and all-season recreational operations in Niseko, Hokkaido, Japan, and the sales recognition of one phase 1A villa in Phang Nga, Thailand.

The consolidated gross profit for the six months ended June 30, 2023 was HK\$306 million, representing an increase of 130% from HK\$133 million for the corresponding period in 2022. The gross profit margin for the six months ended June 30, 2023 was 68% as compared to 49% for the corresponding period in 2022.

The general and administrative expenses were HK\$327 million for the six months ended June 30, 2023, representing a decrease of 8% from HK\$354 million for the corresponding period in 2022.

The consolidated operating loss for the six months ended June 30, 2023 decreased to HK\$21 million, as compared to HK\$108 million for the corresponding period in 2022. Such decrease was mainly due to the improved performance in hotel operations and all-season recreational operations in Niseko, Hokkaido, Japan.

The Group recorded lower finance costs of HK\$183 million for the six months ended June 30, 2023, as compared to HK\$216 million for the same period in 2022. The decrease was mainly due to the additional finance costs incurred in 2022 from the 4.75% guaranteed notes which was settled in March 2022. The consolidated net loss after taxation was HK\$221 million for the six months ended June 30, 2023, as compared to HK\$336 million for the corresponding period in 2022. Basic loss per share during the period under review was 10.85 Hong Kong cents, compared to a basic loss per share of 16.49 Hong Kong cents for the corresponding period in 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Current assets and liabilities

As at June 30, 2023, the Group held current assets of HK\$4,027 million (December 31, 2022: HK\$1,811 million), mainly comprising properties under development/held for sale, cash and cash equivalents, sales proceeds held in stakeholders' accounts, restricted cash and prepayments, deposits and other current assets. The increase in current assets is mainly attributable to reclassification of properties under development from non-current assets. Sales proceeds held in stakeholders' accounts remained at HK\$506 million as at June 30, 2023 (December 31, 2022: HK\$506 million). The level of restricted cash in current assets decreased to HK\$136 million as at June 30, 2023 (December 31, 2022: HK\$153 million).

As at June 30, 2023, the Group's total current liabilities amounted to HK\$2,112 million, as compared to HK\$1,495 million as at December 31, 2022. The increase was mainly attributable to the reclassification of long term borrowing to current liabilities. As at June 30, 2023, the current ratio was 1.91 (December 31, 2022: 1.21).

Capital structure, liquidity and financial resources

As at June 30, 2023, the Group's borrowings amounted to HK\$8,991 million (December 31, 2022: HK\$9,028 million). The balance as at 30 June 2023 represented the amortised cost of financial liabilities in respect of the 5.125% guaranteed notes of US\$800 million (equivalent to HK\$6,265 million), the total outstanding principal amount of Japanese Yen ("JPY") 11,065 million (equivalent to HK\$602 million) under all JPY loan facilities together with principal amount of HK\$2,124 million under the Hong Kong dollar loan facilities.

On June 18, 2021, PCPD Capital issued in aggregate principal amount of US\$800 million 5.125% new guaranteed notes due 2026 ("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 Notes are irrevocably and unconditionally guaranteed by the Company. The 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 2026"). The maturity date of the JPY Facility 2026 is December 2026. 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, 2023, none of the covenants were breached. The carrying value of the borrowing as at June 30, 2023 represents the outstanding principal amount of JPY525 million (equivalent to HK\$29 million) (December 31, 2022: JPY600 million) offset by the deferred arrangement fees of JPY11 million (equivalent to HK\$1 million) (December 31, 2022: JPY14 million).

In April, 2021, a 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, 2023, none of the covenants were breached and the carrying value of the HK\$ Loan 2026 represents the loan drawdown of HK\$916 million (December 31, 2022: HK\$880 million) offset by the deferred loan arrangement costs of HK\$9 million (December 31, 2022: HK\$10 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. On February 1, 2023, the JPY Facility 2023 was extended with maturity date in February 2025. The JPY Facility 2023 is secured by certain land and property, the reserve accounts, and ordinary and/or preferred shares of the Borrower and an indirect wholly-owned subsidiary of the Company (the “Hotel Operator”). The Borrower and the Hotel Operator are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As of June 30, 2023, 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\$544 million) (December 31, 2022: JPY10,000 million) offset by the deferred loan arrangement costs of JPY95 million (equivalent to HK\$5 million) (December 31, 2022: JPY14 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. On June 27, 2022, an amendment of the term loan facility agreement was entered, and the available term loan facility was upsized to HK\$1,340 million. The maturity date of the term loan facility is in June 2024 (“HK\$ Loan 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, 2023, none of the covenants were breached and the carrying value of the borrowing represents the loan drawdown of HK\$1,208 million (December 31, 2022: HK\$1,258 million) offset by the deferred loan arrangement costs of HK\$3 million (December 31, 2022: HK\$5 million).

Subsequent to the period ended, the Group reached final stage of agreement for a loan facility of HK\$780 million with a maturity of 12 months. The directors of the Group have approved this financing arrangement and the facility agreement is subject to administrative procedures to sign by relevant parties in August 2023.

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, 2023, the assets of the Group in Indonesia, Japan and Thailand represented 35%, 25% and 8% 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 generated from operating activities for the six months ended June 30, 2023 is HK\$39 million, as compared to cash generated from operating activities in the amount of HK\$167 million for the corresponding period in 2022.

Income tax

The Group’s income tax for the six months ended June 30, 2023 was HK\$29 million, as compared to HK\$17 million for the corresponding period in 2022.

Security on assets

As at June 30, 2023, certain assets of the Group with an aggregated carrying value of HK\$7,700 million (December 31, 2022: HK\$7,713 million) are mortgaged and pledged to the banks as security for the loan facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at June 30, 2023, the Group employed a total number of 949 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, 2023 (2022: Nil).

The Board did not recommend the payment of a final dividend for the year ended December 31, 2022.

OUTLOOK

The year 2023 is filled with macroeconomic challenges, with high inflation, interest rate hikes and geopolitical tensions being the major risks hanging over a world economy that is still reeling from the pandemic. Nonetheless, recovery in individual sectors are offering positive signs and hope.

Throughout the pandemic, we had put in our effort to push a thoughtful and prudent strategy to safeguard the value of our portfolio. After the pandemic, against a backdrop of tourism rebound across Asia, we have managed our hospitality business in Japan and our premium commercial property in Indonesia, paying meticulous attention to detail and striving for excellence in every aspect. With this positive approach, we are confident that we can forge ahead and achieve sustainable growth in the Japanese and Indonesian markets. Meanwhile, our property development and golf operation in Thailand, as well as the property under development in Hong Kong, display a strong ability to be growth drivers. On the whole, we remain confident in the real estate market in Hong Kong, Japan, Indonesia and Thailand.

We will not lose sight of the external challenges and uncertainties in 2023, knowing that economic and market volatility will remain a key theme influencing the global outlook. And yet we are confident that the Group will continue to leverage its solid business foundation and quality-driven business model to create a sustainable future.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Mr Li, aged 56, 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 62, 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

NON-EXECUTIVE DIRECTOR

Dr Allan ZEMAN, GBM, GBS, JP

Dr Zeman, aged 75, is a Non-Executive Director of PCPD, a member of PCPD's Nomination Committee of the Board and a director of certain PCPD subsidiaries. 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. Dr Zeman was an Independent Non-Executive Director of Global Brands Group Holding Limited from June 2014 to June 2021.

Having lived in Hong Kong for over 52 years, Dr Zeman has been very involved in Government services as well as community activities. Dr Zeman is a member of the Hong Kong Special Administrative Region ("HKSAR") Chief Executive Council of Advisors, a member of the HKSAR Human Resources Planning Commission, a member of the HKSAR Task Force on Promoting and Branding Hong Kong and a member of the HKSAR Culture Commission. He is a member of the Board of Governors of The Canadian Chamber of Commerce in Hong Kong. Dr Zeman is also a board member of The Hong Kong Entrepreneurs Fund of Alibaba Group which was launched in November 2015. Dr Zeman was the board member of the Airport Authority Hong Kong from June 2015 to June 2022. He was also the Chairman of Hong Kong Ocean Park from July 2003 to June 2014 and the honorary advisor to the Ocean Park from July 2014 to June 2022.

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, now known as the Hong Kong Metropolitan University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof WONG Yue Chim, Richard, SBS, JP

Independent Non-Executive Chairman

Prof Wong, aged 71, is an Independent Non-Executive Director and the Independent Non-Executive Chairman of PCPD, the Chairman of PCPD's Audit Committee of the Board and a member of PCPD's Remuneration Committee and Nomination Committee of the Board. He became a director of PCPD in July 2004.

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

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

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

CHIANG Yun

Ms Chiang, aged 55, 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 29 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 of Sands China Ltd. ("Sands") and Goodbaby International Holdings Limited ("Goodbaby"), both of which are listed in Hong Kong. She is also the Chairlady of Environmental, Social and Governance Committee, a member of Audit Committee and Nomination Committee of Sands as well as the Chairlady of Audit Committee, Nomination Committee and Remuneration Committee of Goodbaby. Ms Chiang is also a Non-Executive Director of Yantai Changyu Pioneer Wine Company Limited, which is listed in Shenzhen.

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 51, 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 co-founded 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 a member of the Risk Governance 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 co-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 global private equity firm focused on growth sectors, overseeing their North Asian operations and serving on the boards of numerous technology companies in Greater China, such as Lenovo, Digital China, Ren Ren, Data Systems, and Vimicro. Prior to that, Dr Feng was also a financial analyst with Goldman Sachs (Asia) LLC in Hong Kong, working in the Direct Private Investing (formerly PIA) and Mergers and Acquisitions areas.

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



FINANCIAL INFORMATION

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2023

HK\$ million	Notes	2023 (Unaudited)	2022 (Unaudited)
Revenue	2	452	271
Cost of sales		(146)	(138)
Gross profit		306	133
General and administrative expenses		(327)	(354)
Other income	3	—	113
Operating loss		(21)	(108)
Interest income		12	5
Finance costs	4	(183)	(216)
Loss before taxation	5	(192)	(319)
Income tax	6	(29)	(17)
Loss attributable to equity holders of the Company		(221)	(336)
Other comprehensive income/(loss):			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Currency translation differences:			
Exchange differences on translating foreign operations		4	(528)
Total comprehensive loss		(217)	(864)
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	8	(10.85) cents	(16.49) cents

The notes on pages 18 to 38 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2023

HK\$ million	2023 (Unaudited)						Attributable to		Total equity
	Issued equity	Capital reserve	Currency translation reserve	Other reserves	Accumulated losses	equity			
						holders of the Company	non- controlling interests		
Balance at January 1, 2023	3,802	(565)	(1,593)	10	(574)	1,080	133	1,213	
Total comprehensive income/(loss) for the period	—	—	4	—	(221)	(217)	—	(217)	
Balance at June 30, 2023	3,802	(565)	(1,589)	10	(795)	863	133	996	

HK\$ million	2022 (Unaudited)						Attributable to		Total equity
	Issued equity	Capital reserve	Currency translation reserve	Other reserves	Retained earnings/ (accumulated losses)	equity			
						holders of the Company	non- controlling interests		
Balance at January 1, 2022	3,802	(565)	(860)	10	24	2,411	133	2,544	
Total comprehensive loss for the period	—	—	(528)	—	(336)	(864)	—	(864)	
Balance at June 30, 2022	3,802	(565)	(1,388)	10	(312)	1,547	133	1,680	

The notes on pages 18 to 38 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2023

HK\$ million	Notes	As at June 30, 2023 (Unaudited)	As at December 31, 2022 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	3,534	3,374
Property, plant and equipment	10	2,351	2,531
Right-of-use assets		44	32
Properties under development	11(a)	459	2,921
Properties held for development	11(b)	417	422
Goodwill		3	4
Financial assets at fair value through profit or loss		1	1
Prepayments and other receivables		198	194
		7,007	9,479
Current assets			
Properties under development/held for sale	11(a)	2,809	250
Inventories		16	19
Sales proceeds held in stakeholders' accounts		506	506
Restricted cash		136	153
Trade receivables, net	12	23	59
Prepayments, deposits and other current assets		101	134
Amounts due from related companies		4	4
Short-term deposits		—	90
Cash and cash equivalents		432	596
		4,027	1,811

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2023

HK\$ million	Notes	As at June 30, 2023 (Unaudited)	As at December 31, 2022 (Audited)
Current liabilities			
Borrowings	15	1,254	624
Trade payables	13	12	20
Accruals and other payables		350	342
Deferred income and contract liabilities	16	119	144
Lease liabilities		30	22
Amount payable to the HKSAR Government under the Cyberport Project Agreement	14	339	335
Current income tax liabilities		8	8
		2,112	1,495
Net current assets			
		1,915	316
Total assets less current liabilities			
		8,922	9,795
Non-current liabilities			
Borrowings	15	7,686	8,350
Other payables		187	185
Lease liabilities		21	17
Deferred income tax liabilities		32	30
		7,926	8,582
Net assets			
		996	1,213
CAPITAL AND RESERVES			
Issued equity	17	3,802	3,802
Reserves		(2,939)	(2,722)
Capital and reserves attributable to equity holders of the Company		863	1,080
Non-controlling interests		133	133
		996	1,213

The notes on pages 18 to 38 form part of these unaudited condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2023

HK\$ million	2023 (Unaudited)	2022 (Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	39	167
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(36)	(22)
Decrease in short-term deposits	90	1,942
NET CASH GENERATED FROM INVESTING ACTIVITIES	54	1,920
FINANCING ACTIVITIES		
Proceeds from bank borrowings, net	29	12
Decrease in restricted cash	17	—
Repayment of bank borrowings	(54)	(5)
Payment for borrowing costs	(213)	(237)
Payment for lease liabilities (including interest)	(11)	(10)
Payment for redemption of 4.75% guaranteed notes	—	(2,403)
NET CASH USED IN FINANCING ACTIVITIES	(232)	(2,643)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(139)	(556)
Exchange difference	(25)	(49)
CASH AND CASH EQUIVALENTS		
Balance at January 1,	596	1,516
Balance at June 30,	432	911

The notes on pages 18 to 38 form part of these unaudited condensed consolidated financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2023

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, 2022, 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, 2022.

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 31 December 2022, except for the adoption of the following amended HKFRSs and HKASs which are first effective for accounting periods beginning on or after 1 January 2023 as described below.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES — CONTINUED

The following amended HKFRSs and HKASs are adopted for the financial year beginning 1 January 2023, but have no material effect on the Group's reported results and financial position for the current and prior accounting periods.

- HKAS 8 (Amendments), Accounting Policies, Changes in Accounting Estimates and Errors
- HKAS 12 (Amendments), Income Taxes

The Group has not early adopted any new or amended HKFRSs, HKASs and Interpretations that are not yet effective for the current accounting period.

For the period ended June 30, 2023, the Group had incurred loss attributable to equity holders of HK\$221 million and net decrease in cash and cash equivalents of HK\$139 million.

The directors of the Company have considered the above circumstances and have been regularly monitoring the liquidity position of the Group including the maturity and refinancing of loan facilities, and prepared a cash flow projection, given due and careful consideration to the refinancing needs and financial performance of the Group to assess its liquidity.

Having taken into account the Group's history in obtaining external financing and successful refinancing of loan facilities, as well as future working capital requirements and cash resources, the directors consider the Group has sufficient financial resources to meet its financial obligations as and when they fall due in the next twelve months period ending June 30, 2024. Accordingly, the condensed consolidated financial information has been prepared on a going concern basis.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2023

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)						Results		Other information			
	Revenue from external customers		Inter-segment revenue		Reportable segment revenue		Segment results before taxation		Additions to non-current segment assets		Depreciation	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
All-season recreational activities in Japan	96	33	—	—	96	33	23	(29)	23	54	(18)	(22)
Property development in Japan	—	—	—	—	—	—	(9)	59	36	22	(2)	(3)
Hotel operations in Japan	153	60	—	—	153	60	(39)	(109)	—	58	(43)	(56)
Property management in Japan	41	9	—	—	41	9	10	(3)	—	—	—	—
Property investment in Indonesia	121	122	—	—	121	122	73	56	16	—	(4)	(3)
Property development and golf operation in Thailand	20	27	—	—	20	27	(18)	(19)	—	2	(6)	(6)
Property and facilities management in Hong Kong	15	15	—	—	15	15	5	6	—	—	—	—
Property development in Hong Kong	—	—	—	—	—	—	(4)	(2)	96	50	(1)	—
Other businesses (note b)	6	5	1	1	7	6	1	1	—	1	(10)	(10)
Elimination	—	—	(1)	(1)	(1)	(1)	—	—	—	—	—	—
Total of reported segments	452	271	—	—	452	271	42	(40)	171	187	(84)	(100)
Unallocated	—	—	—	—	—	—	(234)	(279)	—	—	—	—
Consolidated	452	271	—	—	452	271	(192)	(319)	171	187	(84)	(100)

2. REVENUE AND SEGMENT INFORMATION — CONTINUED

HK\$ million	Assets		Liabilities	
	June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022
As at				
All-season recreational activities in Japan	553	557	59	61
Property development in Japan	689	745	23	13
Hotel operations in Japan	1,518	1,656	664	707
Property management in Japan	50	72	30	60
Property investment in Indonesia	3,888	3,820	298	283
Property development and golf operation in Thailand	913	925	43	61
Property and facilities management in Hong Kong	20	34	8	3
Property development in Hong Kong	2,614	2,491	932	874
Other businesses (note b)	58	59	8	8
Total of reported segments	10,303	10,359	2,065	2,070
Unallocated	731	931	7,973	8,007
Consolidated	11,034	11,290	10,038	10,077

a. For the six months ended June 30, 2023 and June 30, 2022, the timing of revenue recognition is as follow:

HK\$ million	2023	2022
External revenue from contracts with customers:		
Timing of revenue recognition		
– At a point in time	84	57
– Over time	282	127
External revenue from other sources:		
– Rental income	86	87
	452	271

b. Revenue from segment below the quantitative thresholds under HKFRS 8 “Operating Segments” is mainly attributable to 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, 2023

3. OTHER INCOME

HK\$ million	Six months ended June 30,	
	2023	2022
Gain on disposal of land	—	113

During the period ended June 30, 2022, the Group settled certain development costs of the property development projects in Japan by way of disposing a piece of land in Japan included in properties under development. A gain on disposal of land of HK\$113 million is recognised as a result of the non-cash settlement.

4. FINANCE COSTS

HK\$ million	Six months ended June 30,	
	2023	2022
Interest expenses:		
– Bank borrowings	60	26
– Guaranteed notes (note 15(a))	166	185
– Lease liabilities	—	1
– Other finance costs	—	1
– Exchange loss on guaranteed notes	26	49
	252	262
– Interest capitalised into properties under development/held for sale	(69)	(46)
	183	216

5. LOSS BEFORE TAXATION

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

HK\$ million	Six months ended June 30,	
	2023	2022
Cost of properties sold	15	64
Cost of inventories sold	17	9
Depreciation of property, plant and equipment	73	89
Depreciation of right-of-use assets		
– properties	11	11
Outgoings in respect of investment properties	27	28
Staff costs included in:		
– cost of sales	36	31
– general and administrative expenses	103	95
Contributions to defined contribution retirement schemes included in		
– general and administrative expenses	3	2
Auditor’s remuneration		
– audit services	2	2
Net foreign exchange loss	1	5
Variable lease payment expenses	8	8
Short-term leases expenses	3	2

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2023

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5 per cent (2022: 16.5 per cent) on the estimated assessable profits for the period.

Taxation for subsidiaries outside Hong Kong which mainly in Japan, Indonesia and Thailand 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,	
	2023	2022
Hong Kong profits tax		
– Provision for current period	—	1
Income tax outside Hong Kong		
– Provision for current period	28	15
Deferred income tax	1	1
	29	17

7. DIVIDEND

HK\$ million	Six months ended June 30,	
	2023	2022
Interim dividend	—	—

8. 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,	
	2023	2022
Loss (HK\$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	(221)	(336)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	2,038,276,786	2,038,276,786

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. As at June 30, 2023, bonus convertible notes in an aggregated amount of HK\$592,552,133.20 (June 30, 2022: HK\$592,552,133.20) have been converted into 1,185,104,266 shares of the Company (June 30, 2022: 1,185,104,266 shares). The outstanding bonus convertible notes in an aggregated amount of HK\$20,021.20 (June 30, 2022: HK\$20,021.20) at the conversion price of HK\$0.50 per share convertible into 40,042 shares (June 30, 2022: 40,042 shares) 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, 2023 and June 30, 2022.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2023

9. INVESTMENT PROPERTIES

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

HK\$ million	2023	2022
At January 1,	3,374	3,707
Exchange differences	160	(127)
At June 30,	3,534	3,580

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

HK\$ million	Fair value measurement as at June 30, 2023		
	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	—	—	3,478
– Hong Kong	—	—	56

9. INVESTMENT PROPERTIES — CONTINUED

HK\$ million	Fair value measurement as at December 31, 2022		
	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	—	—	3,318
– Hong Kong	—	—	56

During the six months ended June 30, 2023 and year ended December 31, 2022, there were no transfers between different levels.

For the investment properties, the fair value of the properties as at June 30, 2023 and December 31, 2022 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.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2023, additions to property, plant and equipment mainly include the increase in construction in progress of HK\$20 million for the development of Niseko resort area, Kutchan, Hokkaido, Japan and the increase in other plant and equipment of HK\$14 million for the investment property in Jakarta, Indonesia.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2023

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

a. Properties under development/held for sale

HK\$ million	2023	2022
At January 1,	3,171	2,932
Additions	148	86
Charged to income statement	(14)	(23)
Exchange differences	(37)	(68)
At June 30,	3,268	2,927
Less: Properties under development classified as non-current assets	(459)	(2,694)
Properties under development/held for sale classified as current assets	2,809	233

- (i) Properties under development classified as non-current assets as at June 30, 2023 consists of the freehold land under development in Japan which is held by an indirect wholly-owned subsidiary amounted to HK\$459 million.
- (ii) Properties under development, which have either been pre-sold or are intended for sale, are classified under current assets.

b. Properties held for development

HK\$ million	2023	2022
At January 1,	422	437
Exchange differences	(5)	(20)
At June 30,	417	417

Properties held for development as at June 30, 2023 represent the freehold land in Thailand which the Group intends to hold for future development projects.

12. TRADE RECEIVABLES, NET

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

HK\$ million	As at June 30, 2023	As at December 31, 2022
1-30 days	23	59

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.

13. TRADE PAYABLES

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

HK\$ million	As at June 30, 2023	As at December 31, 2022
1-30 days	12	20

14. 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, 2023, the amount attributable to the HKSAR Government share under Cyberport Project Agreement was HK\$339 million (December 31, 2022: HK\$335 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2023

15. BORROWINGS

HK\$ million	As at June 30, 2023	As at December 31, 2022
Borrowings, repayable within a period		
– not exceeding one year	1,254	624
– over one year, but not exceeding two years	33	1,262
– over two years, but not exceeding five years	7,653	7,088
	8,940	8,974
Representing:		
Guaranteed notes (note a)	6,232	6,201
Bank borrowings (notes b, c, d and e)	2,708	2,773
	8,940	8,974
Secured	2,708	2,773
Unsecured	6,232	6,201

- a. On June 18, 2021, PCPD Capital issued in aggregate principal amount of US\$800 million 5.125% new guaranteed notes due 2026 (“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 Notes are irrevocably and unconditionally guaranteed by the Company. The Notes rank pari passu among themselves and with all other present and future unsecured and unsubordinated obligations of PCPD Capital and the Company.
- b. On June 9, 2017, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement which the lender had agreed to make available a term loan facility up to an aggregate amount of JPY1,500 million (“JPY Facility 2026”). The maturity date of the JPY Facility 2026 is December 2026. 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, 2023, none of the covenants were breached. The carrying value of the borrowing as at June 30, 2023 represents the outstanding principal amount of JPY525 million (equivalent to HK\$29 million) (December 31, 2022: JPY600 million) offset by the deferred arrangement fees of JPY11 million (equivalent to HK\$1 million) (December 31, 2022: JPY14 million).

15. BORROWINGS — CONTINUED

- c. In April, 2021, 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, 2023, none of the covenants were breached and the carrying value of the HK\$ Loan 2026 represents the loan drawdown of HK\$916 million (December 31, 2022: HK\$880 million) offset by the deferred loan arrangement costs of HK\$9 million (December 31, 2022: HK\$10 million).
- d. On March 29, 2018, an indirect wholly-owned subsidiary of the Company (the “Borrower”) entered into a term loan facility agreement under which the lender agreed to make available term loan facilities up to an aggregate amount of JPY20,000 million. The facility comprises (1) a JPY10,000 million facility for the construction of a branded residence (“JPY Facility 2021”) which matures on February 14, 2020 with option to extend to March 31, 2021 and (2) a JPY10,000 million facility for the construction of a branded hotel (“JPY Facility 2023”) with maturity date of March 31, 2023. In February 2020, the Borrower has fully repaid the JPY Facility 2021. On February 1, 2023, the JPY Facility 2023 was extended with maturity date in February 2025. The JPY Facility 2023 is secured by certain land and property, the reserve accounts, and ordinary and/or preferred shares of the Borrower and an indirect wholly-owned subsidiary of the Company (the “Hotel Operator”). The Borrower and the Hotel Operator are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As of June 30, 2023, 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\$544 million) (December 31, 2022: JPY10,000 million) offset by the deferred loan arrangement costs of JPY95 million (equivalent to HK\$5 million)(December 31, 2022: JPY14 million).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2023

15. BORROWINGS — CONTINUED

- e. On June 11, 2019, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement under which the lender agreed to make available term loan facility up to an aggregate amount of HK\$1,170 million. On June 27, 2022, an amendment of the term loan facility agreement was entered, and the available term loan facility was upsized to HK\$1,340 million. The maturity date of the term loan facility is in June 2024 (“HK\$ Loan 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, 2023, none of the covenants were breached and the carrying value of the borrowing represents the loan drawdown of HK\$1,208 million (December 31, 2022: HK\$1,258 million) offset by the deferred loan arrangement costs of HK\$3 million (December 31, 2022: HK\$5 million).
- f. Subsequent to the period ended, the Group reached final stage of agreement for a loan facility of HK\$780 million with a maturity of 12 months. The directors of the Group have approved this financing arrangement and the facility agreement is subject to administrative procedures to sign by relevant parties in August 2023.

16. DEFERRED INCOME AND CONTRACT LIABILITIES

HK\$ million	As at June 30, 2023	As at December 31, 2022
Deferred income:		
Rental income from investment properties	105	122
	105	122
Contract liabilities:		
Deposits received from sale of properties and other revenue receipt in advance	14	22
Deferred income and contract liabilities classified as current liabilities	119	144

17. 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 and June 30, 2022 and 2023	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.
- 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, 2022 and June 30, 2023	4,000,000,000	2,000
Issued and fully paid:		
Ordinary shares of HK\$0.50 each at June 30, 2022 and June 30, 2023	2,038,236,743	1,019

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2023

17. ISSUED EQUITY — CONTINUED

- c. As at June 30, 2023, 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. 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.

18. CAPITAL COMMITMENTS

HK\$ million	As at June 30, 2023	As at December 31, 2022
Contracted but not provided for		
Property development projects	272	245
Investment properties	2	11
Property, plant and equipment	10	13
	284	269

19. BANKING FACILITY

Aggregate banking facilities as at June 30, 2023 were HK\$3,195 million (December 31, 2022: HK\$3,294 million) of which HK\$469 million remain undrawn by the Group (December 31, 2022: HK\$505 million) (See Note 15).

Security pledged for the banking facilities includes:

HK\$ million	As at June 30, 2023	As at December 31, 2022
Investment properties	3,478	3,318
Property, plant and equipment	1,581	1,738
Properties under development	2,560	2,471
Restricted cash	29	52
Cash and cash equivalents	52	134
	7,700	7,713

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED JUNE 30, 2023

20. MATERIAL RELATED PARTY TRANSACTIONS

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,	
	2023	2022
Sales of services:		
Office leases rental	7	7
Facility management services	4	4
Purchases of services:		
Corporate services	4	4
Information technology and other logistic services	1	1
Marketing agency services	1	2
Property and development management services	1	1
Interest expenses of guaranteed notes:		
Substantial shareholder	21	20

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

b. Details of key management compensation

HK\$ million	Six months ended June 30,	
	2023	2022
Salaries and other short-term employee benefits	7	7
Bonuses	9	8
Directors' fee	2	2
Retirement scheme contribution	1	1
	19	18

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 9 for disclosure of the investment properties that are measured at fair value.

HK\$ million	Fair value measurement as at June 30, 2023			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurement				
Assets				
Financial assets at fair value through profit or loss	1	—	—	1

HK\$ million	Fair value measurement as at December 31, 2022			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurement				
Assets				
Financial assets at fair value through profit or loss	1	—	—	1

During the six months ended June 30, 2023 and the year ended December 31, 2022, 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, 2023

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, 2023 and December 31, 2022 except as follows:

HK\$ million	As at June 30, 2023		As at December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Guaranteed notes (note 15(a))	6,232	4,954	6,201	5,043

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.

(a) 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.

(b) 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, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at June 30, 2023, the directors and chief executives of the Company and their respective close associates had the following interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporation (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 (a))</i>	402,164,972 <i>(Note (b))</i>	609,432,786	29.90%

Notes:

- (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.

GENERAL INFORMATION

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

2. Interests in the Associated Corporation of the Company

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	Personal interests	Number of ordinary shares held			Total	Approximate percentage of the total number of shares of Easy Treasure in issue
		Family interests	Corporate interests	Other interests		
Allan Zeman	—	—	999 <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.

Save as disclosed in the foregoing, as at June 30, 2023, none of the directors or chief executives of the Company or their respective close associates had any interests or short positions in any shares, underlying shares 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, 2023.

As at each of January 1, 2023 and June 30, 2023, the number of Share options available for grant under the 2015 Scheme mandate was 40,266,831.

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, 2023, the following persons (other than directors or chief executives of the Company) were substantial shareholders of the Company 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>	612,854,407	30.07%
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, 2023, 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 directors or chief executives of the Company) who had an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO as at June 30, 2023.



PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2023, 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, 2023 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, 2023.

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, 2023.

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)*

Non-Executive Director

Dr Allan Zeman, GBM, GBS, JP

Independent Non-Executive Directors

Prof Wong Yue Chim, Richard, SBS, JP *(Independent Non-Executive Chairman)*
Chiang Yun
Dr Vince Feng

GENERAL COUNSEL AND COMPANY SECRETARY

Cheung Kwok Kuen Alan

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