Pacific Century Premium Developments
盈科大衍地產發展

PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED

盈科大衍地產發展有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00432)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

The board of directors (the “Board”) of Pacific Century Premium Developments Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended June 30, 2020. This interim financial information has not been audited but 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 Hong Kong Institute of Certified Public Accountants (“HKICPA”).

SUMMARY

- Consolidated revenue increased by 674 per cent to approximately HK$1,602 million
- Consolidated operating loss increased by 104 per cent to approximately HK$114 million
- Loss attributable to equity holders of the Company amounted to approximately HK$253 million
- Basic loss per share: 15.91 Hong Kong cents
- The Board did not declare the payment of an interim dividend

REVIEW OF OPERATIONS

Property investment and development

Property investment in Indonesia

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

Property development in Japan

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

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

Property development in Thailand

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

Property development in Hong Kong

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

Hotel operations, recreation and leisure operation in Japan

Hotel operations in Japan

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

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

Recreation and leisure operation in Japan

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

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

Property and facilities management

Hong Kong

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

Other businesses

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Note	**For the six months ended June 30, 2020 (Unaudited)**	2019 (Unaudited)
Revenue	2	**1,602**	207
Cost of sales		**(1,325)**	(31)
Gross profit		**277**	176
General and administrative expenses		**(391)**	(232)
Operating loss		**(114)**	(56)
Interest income		**8**	8
Finance costs		**(118)**	(93)
Loss before taxation	3	**(224)**	(141)
Income tax	4	**(29)**	(15)
Loss attributable to equity holders of the Company		**(253)**	(156)
Other comprehensive (loss)/income:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences:			
Exchange differences on translating foreign operations		**(82)**	218
Total comprehensive (loss)/income		**(335)**	62
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	6	**(15.91) cents**	(9.82) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	Note	**As at June 30, 2020 (Unaudited)**	As at December 31, 2019 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	7	**3,663**	3,762
Property, plant and equipment		**3,437**	3,392
Right-of-use assets		**53**	77
Properties under development		**322**	291
Properties held for development	8	**2,661**	2,653
Goodwill		**5**	5
Financial assets at fair value through profit or loss		**—**	1
Prepayments and other receivables		**277**	305
		10,418	10,486
Current assets			
Properties under development/held for sale		**283**	1,421
Sales proceeds held in stakeholders' accounts		**506**	506
Restricted cash		**121**	594
Trade receivables, net	9	**14**	24
Prepayments, deposits and other current assets		**471**	748
Amounts due from fellow subsidiaries		**1**	1
Amounts due from related companies		**2**	6
Financial assets at fair value through profit or loss		**1**	5
Cash and cash equivalents		**1,873**	1,378
		3,272	4,683

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

HK$ million	Note	**As at June 30, 2020 (Unaudited)**	As at December 31, 2019 (Audited)
Current liabilities			
Short-term borrowings		**805**	1,517
Current portion of long-term borrowings		**11**	11
Trade payables	10	**37**	49
Accruals and other payables		**1,027**	1,068
Deferred income and contract liabilities		**89**	441
Lease liabilities		**42**	44
Amount payable to the HKSAR Government under the Cyberport Project Agreement		**327**	325
Current income tax liabilities		**9**	7
		2,347	3,462
Net current assets		**925**	1,221
Total assets less current liabilities		**11,343**	11,707
Non-current liabilities			
Long-term borrowings		**7,361**	7,372
Other payables		**186**	175
Deferred income and contract liabilities		**46**	58
Lease liabilities		**14**	34
Deferred income tax liabilities		**47**	44
		7,654	7,683
Net assets		**3,689**	4,024
CAPITAL AND RESERVES			
Issued equity		**2,846**	2,846
Reserves		**710**	1,045
Capital and reserves attributable to equity holders of the Company		**3,556**	3,891
Non-controlling interests		**133**	133
		3,689	4,024

Notes:

1. Basis of Preparation and Accounting Policies

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

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

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

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

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

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

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

2. **Revenue and Segment Information**

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

	Revenue (note a)						**Results**		**Other information**	
HK$ million	**Revenue from external customers**		**Inter-segment revenue**		**Reportable segment revenue**		**Segment results before taxation**		**Additions to non-current segment assets**	
For the six months ended June 30,	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
All-season recreational activities in Japan	**71**	79	**—**	—	**71**	79	**5**	20	**15**	59
Property investment in Indonesia	**118**	95	**—**	—	**118**	95	**49**	53	**2**	7
Property development in Thailand	**—**	—	**—**	—	**—**	—	**(8)**	(6)	**54**	44
Property development in Japan	**1,329**	—	**—**	—	**1,329**	—	**68**	(15)	**4**	166
Hotel operations in Japan (note b)	**45**	—	**1**	2	**46**	2	**(152)**	(6)	**24**	164
Property and facilities management in Hong Kong	**15**	15	**—**	—	**15**	15	**5**	3	**—**	—
Property development in Hong Kong	**—**	—	**—**	—	**—**	—	**(8)**	(14)	**17**	1
Other businesses (note c)	**24**	18	**1**	1	**25**	19	**2**	3	**—**	—
Elimination	**—**	—	**(2)**	(3)	**(2)**	(3)	**—**	—	**—**	—
Total of reported segments	**1,602**	207	**—**	—	**1,602**	207	**(39)**	38	**116**	441
Unallocated	**—**	—	**—**	—	**—**	—	**(185)**	(179)	**4**	4
Consolidated	**1,602**	207	**—**	—	**1,602**	207	**(224)**	(141)	**120**	445

2. **Revenue and Segment Information - Continued**

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

a. For the six months ended June 30, 2020 and June 30, 2019, apart from the revenue arising from property development in Japan, rental income from property investment in Indonesia and Hong Kong, revenue of food and beverage and sales of goods from hotel operations and all-season recreational activities in Japan and other business totalling HK$1,445 million (2019: HK$124 million), revenue of all other segments of HK$157 million (2019: HK$83 million) are recognised over time.

b. In January 2020, the Park Hyatt Niseko, Hanazono commenced its hotel operations. Together with the Midtown Niseko hotel ("Hotel operations in Japan"), the Group provides diversified hospitality services in Japan. The reportable segment, "hotel operations in Japan," is presented as an operating division for current and comparative periods. Comparative information for 2019 has been amended accordingly to conform with this change in classification adopted in current period. These amendments and reclassifications have no impact on the loss for the current and comparative periods nor on the assets and liabilities of the Group as at June 30, 2020 and June 30, 2019.

c. Revenue from segments below the quantitative thresholds under HKFRS 8 "Operating Segments" is mainly attributable to property management in Japan and property investment in Hong Kong. This segment has not met any of the quantitative thresholds for determining reportable segments.

3. Loss Before Taxation

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

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

4. Income Tax

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

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

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

5. Dividend

HK$ million	For the six months ended June 30, 2020	2019
Interim dividend	**—**	—

6. Loss per Share

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

	For the six months ended June 30, 2020	2019
Loss (HK$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	**(253)**	(156)

	For the six months ended June 30, 2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	**1,587,296,022**	1,587,296,022

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

7. Investment Properties

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

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

8. Properties Held For Development

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

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

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

9. Trade Receivables, net

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

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

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

10. Trade Payables

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

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

FINANCIAL REVIEW

Review of results

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

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

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

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

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

Current assets and liabilities

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

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

Capital structure, liquidity and financial resources

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

On March 9, 2017, PCPD Capital Limited ("PCPD Capital"), an indirect wholly-owned subsidiary of the Company, issued the US$570 million 4.75% guaranteed notes ("Notes") due 2022, which are listed on the Singapore Exchange Securities Trading Limited. On October 3, 2019, further guaranteed notes (the "Future Notes") of US$130 million were issued by PCPD Capital. The Notes and Future Notes are irrevocably and unconditionally guaranteed by the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of PCPD Capital and the Company.

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

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

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

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

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

The Group's borrowings are denominated in US dollars, Hong Kong dollars and Japanese Yen while the cash and bank deposits are held mainly in US dollars and Hong Kong dollars. The Group has foreign operations, and some of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. As at June 30, 2020, the assets of the Group in Indonesia, Thailand and Japan represented approximately 32%, 7% and 34% of the Group's total assets respectively. The Group's currency exposure with respect to these operations is subject to fluctuations in the exchange rates of Indonesian Rupiah, Thai Baht and Japanese Yen.

Cash generated from operating activities for the six months ended June 30, 2020 is approximately HK$997 million, as compared to cash used in operating activities in the amount of approximately HK$26 million for the corresponding period in 2019 as the Group received proceeds from the sale of properties during the period.

Income tax

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

Security on assets

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

Contingent liabilities

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

Such Land VAT has been reported as creditable input VAT in the monthly VAT report for the period of October 2013 to compensate future output VAT after the tax assessment issued in 2014. However, after a tax re-audit which was performed in 2018, the ITO issued an assessment notice stating that the Land VAT is non-creditable, resulting in a tax underpayment of IDR183,834.4 million (approximately HK$100 million) and a penalty of IDR183,834.4 million (approximately HK$100 million). According to the tax assessment notice, the Taxpayer is required to pay the tax underpayment and penalty totalling IDR367,668.8 million (approximately HK$200 million). The Group has filed an objection against the tax assessment in August 2018 and the ITO issued a decision letter to reject the Group's objection in July 2019. After consideration of professional advice, the Group remains of the view that the ITO has no basis to issue the 2018 Assessment and the Group lodged an appeal to the tax court in September 2019. The Group had attended the tax court hearings since June 2020 and the process is still ongoing. The amounts of tax and penalty demanded in the assessment have been paid in advance in August 2018 and included in "Prepayments, deposits and other current assets" in the consolidated statement of financial position as at June 30, 2020. No provision of impairment has been recognised for the VAT balance as at June 30, 2020.

EMPLOYEES AND REMUNERATION POLICIES

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

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

DIVIDENDS AND DISTRIBUTION

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended June 30, 2020 and has held one meeting during the period under review.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months period ended June 30, 2020.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.pcpd.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2020 interim report will be despatched to shareholders of the Company and available on the above websites in due course.

OUTLOOK

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

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

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

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

Hong Kong, August 4, 2020

As at the date of this announcement, the directors of the Company are as follows:

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

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

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

** For identification only*