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, 2021

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, 2021. 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 decreased by 87 per cent to approximately HK$212 million
- Consolidated operating loss increased by 83 per cent to approximately HK$209 million
- Loss attributable to equity holders of the Company amounted to approximately HK$417 million
- Basic loss per share: 22.55 Hong Kong cents
- The Board did not declare the payment of an interim dividend

REVIEW OF OPERATIONS

<u>Property investment and development</u>

Property investment in Indonesia

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

Property development in Japan

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

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

Property development in Thailand

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

Property development in Hong Kong

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

<u>Hotel operations, recreation and leisure operation in Japan</u>

Hotel operations in Japan

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

The Group's revenue from its hotel operations in Japan amounted to approximately HK$21 million for the six months ended June 30, 2021, as compared to approximately HK$45 million for the corresponding period in 2020.

Recreation and leisure operation in Japan

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

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

Property and facilities management

Hong Kong

The Group provides property management and facilities management services in Hong Kong and generated revenue of approximately HK$15 million for the six months ended June 30, 2021, as compared to approximately HK$15 million for the corresponding period in 2020.

Other businesses

Other businesses of the Group mainly include property management services in Japan and property investment in Hong Kong. The revenue from these other businesses amounted to approximately HK$12 million for the six months ended June 30, 2021, as compared to approximately HK$24 million for the corresponding period in 2020. The decrease in revenue is mainly due to the effect of the COVID-19 impact on the tourism industry in Japan during the period on the property management business in Japan.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

HK$ million	Notes	**For the six months ended June 30, 2021 (Unaudited)**	2020 (Unaudited)
Revenue	2	**212**	1,602
Cost of sales		**(67)**	(1,325)
Gross profit		**145**	277
General and administrative expenses		**(355)**	(391)
Other income		**1**	—
Operating loss		**(209)**	(114)
Interest income		**1**	8
Finance costs		**(192)**	(118)
Loss before taxation	3	**(400)**	(224)
Income tax	4	**(17)**	(29)
Loss attributable to equity holders of the Company		**(417)**	(253)
Other comprehensive loss:			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences:			
Exchange differences on translating foreign operations		**(295)**	(82)
Total comprehensive loss		**(712)**	(335)
Loss per share (expressed in Hong Kong cents per share)			
Basic and diluted	6	**(22.55) cents**	(15.91) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK$ million	Notes	**As at June 30, 2021 (Unaudited)**	As at December 31, 2020 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	7	**3,640**	3,699
Property, plant and equipment		**3,083**	3,337
Right-of-use assets		**45**	30
Properties under development	8a	**2,617**	345
Properties held for development	8b	**456**	2,712
Goodwill		**5**	5
Financial assets at fair value through profit or loss		**4**	1
Prepayments and other receivables		**253**	265
		10,103	10,394
Current assets			
Properties under development/held for sale	8a	**272**	279
Inventory		**14**	17
Sales proceeds held in stakeholders' accounts		**504**	504
Restricted cash		**114**	113
Trade receivables, net	9	**15**	27
Prepayments, deposits and other current assets		**428**	448
Amounts due from fellow subsidiaries		**1**	1
Amounts due from related companies		**4**	6
Financial assets at fair value through profit or loss		**1**	2
Cash and cash equivalents		**4,098**	1,202
		5,451	2,599

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

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

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, 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

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

The preparation of the unaudited condensed consolidated financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing these unaudited condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those which applied to the consolidated financial statements as at and for the year ended December 31, 2020.

The accounting policies, basis of presentation and methods of computation used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended December 31, 2020.

The Group has not early adopted any 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,	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
All-season recreational activities in Japan	**19**	71	**—**	—	**19**	71	**(30)**	5	**34**	15
Property investment in Indonesia	**124**	118	**—**	—	**124**	118	**81**	49	**1**	2
Property development in Thailand	**—**	—	**—**	—	**—**	—	**(19)**	(8)	**9**	54
Property development in Japan	**21**	1,329	**—**	—	**21**	1,329	**(11)**	68	**12**	4
Hotel operations in Japan	**21**	45	**—**	1	**21**	46	**(135)**	(152)	**1**	24
Property and facilities management in Hong Kong	**15**	15	**—**	—	**15**	15	**4**	5	**—**	—
Property development in Hong Kong	**—**	—	**—**	—	**—**	—	**(2)**	(8)	**43**	17
Other businesses (note b)	**12**	24	**1**	1	**13**	25	**(3)**	2	**—**	—
Elimination	**—**	—	**(1)**	(2)	**(1)**	(2)	**—**	—	**—**	—
Total of reported segments	**212**	1,602	**—**	—	**212**	1,602	**(115)**	(39)	**100**	116
Unallocated	**—**	—	**—**	—	**—**	—	**(285)**	(185)	**—**	4
Consolidated	**212**	1,602	**—**	—	**212**	1,602	**(400)**	(224)	**100**	120

2. Revenue and Segment Information - Continued

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

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

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

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

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

4. Income Tax

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

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

HK$ million	For the six months ended June 30, 2021	2020
Current income tax		
- Hong Kong profits tax	**1**	1
- Income tax outside Hong Kong	**28**	24
Deferred income tax		
- Other origination and reversal of temporary differences	**(12)**	4
	17	29

5. Dividend

HK$ million	For the six months ended June 30, 2021	2020
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, 2021	2020
Loss (HK$ million)		
Loss for the purpose of calculating the basic and diluted loss per share	**(417)**	(253)

	For the six months ended June 30, 2021	2020
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share	**1,848,914,697**	1,587,296,022

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

Pursuant to the terms of the applicable deed poll, the bonus convertible notes confer upon the holders the same economic interests attached to the bonus shares. On September 29, 2020, bonus convertible notes in an aggregate amount of HK$592,533,333.20 at the conversion price of HK$0.50 per share were converted into 1,185,066,666 shares of the Company.

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

7. Investment Properties

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

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

8. Properties Under Development/Held for Sale/Held For Development

a. Properties under development/held for sale

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

(i) Properties under development classified as non-current assets as at June 30, 2021 consists of HK$2,272 million for a property in Hong Kong and HK$345 million for the freehold land under development in Japan which is held by an indirect wholly-owned subsidiary. During the six months period ended June 30, 2021, a property in Hong Kong of carrying amount of HK$2,272 million has been transferred from properties held for development to properties under development.

(ii) Properties under development/held for sale classified as current assets as at June 30, 2021 consists of HK$111 million for the branded residences project completed and held for sale in Hokkaido, Japan and HK$161 million for first phase development project under construction in Thailand.

b. Properties held for development

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

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

9. Trade Receivables, net

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

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

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

10. Trade Payables

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

HK$ million	**As at June 30, 2021**	As at December 31, 2020
1 – 30 days	**4**	14

FINANCIAL REVIEW

Review of results

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

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

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

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

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

Current assets and liabilities

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

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

Capital structure, liquidity and financial resources

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

On March 9, 2017 and October 3, 2019, PCPD Capital Limited ("PCPD Capital"), an indirect wholly-owned subsidiary of the Company, issued respective principal amounts of US$570 million and US$130 million 4.75% guaranteed notes due 2022 ("Notes"), which are listed on the Singapore Exchange Securities Trading Limited. The Notes are irrevocably and unconditionally guaranteed by the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of PCPD Capital and the Company. On June 7, 2021, the Company announced to invite holders of the Notes to tender any or all Notes held by them for purchase by the Company for cash (the "Tender Offer"). On June 18, 2021, the Company completed the settlement of the Tender Offer, accepted for purchase and cancelled approximately US$384 million in aggregate principal amount of the Notes. As at June 30, 2021, approximately US$316 million in aggregate principal amount of the Notes remained outstanding.

On June 18, 2021, PCPD Capital Limited issued in aggregate principal amount of US$800 million 5.125% new guaranteed notes due 2026 ("New Notes"), which are listed on the Singapore Exchange Securities Trading Limited. The estimated fair value of the option of the early redemption and repurchase rights are recognised as financial assets at fair value through profit or loss. The New Notes are irrevocably and unconditionally guaranteed by the Company. The New Notes rank pari passu among themselves and with all other present and future unsecured and unsubordinated obligations of PCPD Capital and the Company.

On June 9, 2017, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement which the lender had agreed to make available a term loan facility up to an aggregate amount of JPY1,500 million ("JPY Facility 2028"). The maturity date of the JPY Facility 2028 is December 2028. Such facility is secured by the land and buildings and a bank account of the indirect wholly-owned subsidiary and the indirect wholly-owned subsidiary is subject to certain financial covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2021, none of the covenants were breached. The carrying value of the borrowing as at June 30, 2021 represents the outstanding principal amount of JPY1,125 million (equivalent to HK$79 million) (December 31, 2020: JPY1,200 million) offset by the deferred arrangement fees of JPY26 million (equivalent to HK$2 million) (December 31, 2020: JPY29 million).

On March 19, 2018, an indirect non-wholly owned subsidiary of the Company entered into a loan agreement which the lender had agreed to make available a loan facility up to an aggregate amount of HK$808 million. On March 20, 2020, the loan was extended with maturity date in March 2021 ("HK$ Loan 2021"). In April, 2021, the HK$ Loan 2021 was fully repaid and a new project development loan facility was entered by an indirect wholly-owned subsidiary of the Company which the lenders agreed to make available term loan facility up to an aggregate amount of HK$1,382 million ("HK$ loan 2026"). The maturity date for the HK$ loan 2026 is the earlier of April 13, 2026 or twelve months after occupation permit of the development project in Hong Kong being issued by the building authority. The HK$ loan 2026 is secured by certain land and property, bank accounts, shares and other assets of the indirect non-wholly owned subsidiaries and the Company and the indirect non-wholly owned subsidiary are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As of June 30, 2021, none of the covenants were breached and the carrying value of the HK$ loan 2026 represents the loan drawdown of HK$821 million offset by the deferred loan arrangement costs of HK$14 million.

On March 29, 2018, an indirect wholly-owned subsidiary of the Company (the "Borrower") entered into a term loan facility agreement under which the lender agreed to make available term loan facilities up to an aggregate amount of JPY20,000 million. The facility comprises (1) a JPY10,000 million facility for the construction of a branded residence ("JPY Facility 2021") which matures on February 14, 2020 with option to extend to March 31, 2021 and (2) a JPY10,000 million facility for the construction of a branded hotel ("JPY Facility 2023") with maturity date of March 31, 2023. In February 2020, the Borrower has fully repaid the JPY Facility 2021. The JPY Facility 2023 is secured by certain land and property, 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, 2021, none of the covenants were breached and the carrying value of the JPY Facility 2023 represents the outstanding principal amount of JPY10,000 million (equivalent to HK$701 million) (December 31, 2020: JPY10,000 million) offset by the deferred loan arrangement costs of JPY98 million (equivalent to HK$7 million) (December 31, 2020: JPY124 million).

On June 11, 2019, an indirect wholly-owned subsidiary of the Company entered into a term loan facility agreement under which the lender agreed to make available term loan facility up to an aggregate amount of HK$1,170 million ("HK$ Loan 2024"). The maturity date of the HK$ Loan 2024 is in June 2024. Such facility is secured by the land and buildings, bank accounts, shares and other assets of certain indirect wholly-owned subsidiaries of the Company. The Company and the indirect wholly-owned subsidiary are subject to certain financial ratios covenants which are commonly found in lending arrangements with financial institutions. As at June 30, 2021, none of the covenants were breached and the carrying value of the borrowing represents the outstanding principal amount of HK$1,170 million (December 31, 2020: HK$1,170 million) offset by the deferred loan arrangement costs of HK$10 million (December 31, 2020: HK$11 million).

The Group's borrowings are denominated in US dollars, Hong Kong dollars and Japanese Yen while the cash and bank deposits are also held mainly in US dollars, Hong Kong dollars and Japanese Yen. The Group has foreign operations, and some of its net assets are exposed to the risk of foreign currency exchange rate fluctuations. As at June 30, 2021, the assets of the Group in Indonesia, Japan and Thailand represented approximately 28%, 22% and 7% of the Group's total assets respectively. The Group's currency exposure with respect to these operations is subject to fluctuations in the exchange rates of Indonesian Rupiah, Japanese Yen and Thai Baht.

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

Income tax

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

Security on assets

As at June 30, 2021, certain assets of the Group with an aggregated carrying value of approximately HK$8,144 million (December 31, 2020: HK$8,336 million) are mortgaged and pledged to the banks as security for the loan facilities.

Contingent liabilities

In 2018, the Company's indirect wholly-owned subsidiary (the "Taxpayer") in Indonesia, received a tax assessment notice ("2018 Assessment") from the Indonesian tax office ("ITO") in relation to the creditability of value added tax ("VAT") arising from the acquisition of a plot of land in Jakarta, Indonesia in October 2013 ("Land VAT") which amounted to IDR183,834.4 million (approximately HK$99 million).

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$99 million) and a penalty of IDR183,834.4 million (approximately HK$99 million). According to the tax assessment notice, the Taxpayer is required to pay the tax underpayment and penalty totalling IDR367,668.8 million (approximately HK$198 million). The Group has filed an objection against the tax assessment in August 2018 and the ITO issued a decision letter to reject the Group's objection in July 2019. After consideration of professional advice, the Group remains of the view that the ITO has no basis to issue the 2018 Assessment and the Group lodged an appeal to the tax court in September 2019. The Group had attended the tax court hearings since June 2020 and the process is still ongoing. The amounts of tax and penalty demanded in the assessment have been paid in advance in August 2018 and included in "Prepayments, deposits and other current assets" in the condensed consolidated statement of financial position as at June 30, 2021. No provision of impairment has been recognised for the VAT balance as at June 30, 2021.

EMPLOYEES AND REMUNERATION POLICIES

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

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

DIVIDENDS AND DISTRIBUTION

The Board did not declare an interim dividend to shareholders nor an interim distribution to bonus convertible noteholders for the six months ended June 30, 2021 (2020: Nil).

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2021, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended June 30, 2021 and has held one meeting during the period under review.

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, 2021.

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 2021 interim report will be despatched to shareholders of the Company and available on the above websites in due course.

OUTLOOK

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

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

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

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

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

Hong Kong, August 4, 2021

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*