PCCW

Interim Report 2013

Stock Code: 0008

CONTENTS

CORPORATE PROFILE

PCCW Limited (PCCW or the Company) is a Hong Kong-based company which holds interests in telecommunications, media, IT solutions, property development and investment, and other businesses.

The Company holds a majority interest in the HKT Trust and HKT Limited, Hong Kong's premier telecommunications service provider. HKT meets the needs of the Hong Kong public and local and international businesses with a wide range of services including local telephony, local data and broadband, international telecommunications, mobile, and other telecommunications businesses such as customer premises equipment sale, outsourcing, consulting, and contact centers.

PCCW also owns a fully integrated multimedia and entertainment group in Hong Kong, which includes a highly successful IPTV operation, now TV. As the provider of Hong Kong's first quadruple-play experience, PCCW offers a range of innovative media content and services across four delivery platforms – fixed-line, broadband Internet access, TV and mobile.

Also wholly-owned by the Group, PCCW Solutions is a leading information technology outsourcing and business process outsourcing provider in Hong Kong and mainland China.

In addition, PCCW holds a majority interest in Pacific Century Premium Developments Limited, and overseas investments including the wholly-owned UK Broadband Limited.

Employing approximately 21,500 staff, PCCW maintains a presence in Hong Kong, mainland China as well as other parts of the world.

PCCW shares are listed on The Stock Exchange of Hong Kong Limited (SEHK: 0008) and traded in the form of American Depositary Receipts (ADRs) on the OTC Markets Group Inc. in the U.S. (Ticker: PCCWY).

KEY FIGURES

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2013
In HK$ million (except for per share data)

	2012 (Unaudited)	**2013 (Unaudited)**
Turnover		
Core revenue*	11,058	**12,815**
PCPD	848	**499**
	11,906	**13,314**
Cost of sales	(5,281)	**(6,343)**
General and administrative expenses	(4,926)	**(5,286)**
Other gains, net	12	**196**
Interest income	27	**37**
Finance costs	(469)	**(595)**
Share of results of associates	9	**7**
Share of results of joint ventures	(52)	**25**
Profit before income tax	1,226	**1,355**
Income tax	51	**90**
Profit for the period	1,277	**1,445**
Attributable to:		
Equity holders of the Company	836	**856**
Non-controlling interests	441	**589**
Earnings per share (in HK cents)		
Basic	11.51	**11.79**
Diluted	11.51	**11.79**
Dividend per share (in HK cents)		
Interim dividend	5.51	**6.35**
EBITDA[1]		
Core EBITDA*	3,670	**3,936**
PCPD	166	**10**
	3,836	**3,946**

*Note: Please refer to page 11. Note 1: Please refer to page 13.

STATEMENT FROM THE CHAIRMAN

In the first half of 2013, the core businesses of PCCW recorded significant progress in their growth initiatives, contributing to a satisfactory overall financial performance for the Group.

Celebrating its 10th anniversary this year, now TV is fully geared up for the exclusive broadcast of the Barclays Premier League (BPL) later this month. Both new subscriptions and upgrades by existing customers to our higher-value Super Sports Pack have been very encouraging and we are confident the BPL can provide sustained momentum for growth.

To better serve the needs of the increasing number of viewers who look for content online, now TV has since June made available for free viewing three popular self-produced channels through a "now Free TV" app. In another breakthrough, MOOV has become the first non-Mainland paid music service provider to enter the Chinese market following its launch on Southern Media Corporation's IPTV platform in Guangdong in June. Meanwhile, with a distribution agreement with StarHub, Singapore's largest cable TV and broadband operator, in the second quarter, now TV's content distribution footprint now includes Malaysia, Thailand, Canada, the U.S., and Singapore.

PCCW Solutions continued to record strong results for the first half, benefiting from its proven track record and the increase in demand for IT services including data center services. We expect to see further growth potential following the integration of Compass Solutions Holdings, a specialist in SAP's Enterprise Resource Planning solutions which was acquired in May.

PCCW Solutions has secured notable contracts from major banks in the Mainland with its acquisition of Vanda China last year. These acquisitions formed part of PCCW Solutions' strategy to expand its core competencies and geographical reach. We will continue to look for such opportunities to complement the company's organic growth to drive long-term profitability.

HKT reported healthy operational results for the first half, extending its leadership in the fiber broadband business and consolidating its position in the mobile market. We deployed additional spectrum to enhance the transmission speed of our 4G LTE network in June. Shortly after that, we launched Hong Kong's first 1000Mbps Wi-Fi service using advanced Wi-Fi technology to lift customer experience.

Pacific Century Premium Developments is committed to strengthening its presence in the Asia Pacific region, especially in high-growth areas like Southeast Asia. In May, PCPD entered into an agreement for the acquisition of a plot of land in the prime business area of Jakarta, Indonesia, which we plan for the development of a world-class office building. The company is also considering plans to revamp Pacific Century Place in Beijing to enhance its long-term value.

The U.S. Federal Reserve's plan to scale back its asset purchase sent jitters across the financial markets just before the close of the first half, and the fundamental problems in the Euro-zone are expected to continue to slow global recovery. While the local economy also remains soft, the Group is cautiously optimistic that, underpinned by solid fundamentals, we can further grow our business in the remainder of the year provided that the economic conditions continue to be stable.

Richard Li
Chairman
August 6, 2013

STATEMENT FROM THE GROUP MANAGING DIRECTOR

I am pleased to report that all the core businesses of the Group, namely media, enterprise IT solutions and telecommunications services, reported satisfactory operational results for the first six months of 2013. The following sections outline the main achievements and outlook of each core segment.

STAGE SET FOR FURTHER MEDIA BUSINESS GROWTH

The Group's media business saw some exciting development in the first half. At the beginning of this year, we sealed the deal for the exclusive Hong Kong broadcast rights to the Barclays Premier League (BPL) for three seasons commencing August 2013. As expected, this hugely popular and coveted sports property has elicited very encouraging subscription response from BPL fans to our higher-value Super Sports Pack in the following months. We expect this momentum to continue and accelerate as the new BPL season kicks off and as more football fans switch over to now TV.

For the first time in Hong Kong, now TV will broadcast all 380 BPL matches in 2013/14 live in both HD and SD formats. To satisfy the discerning needs of our sports fans, now TV will also introduce Super HD format using fiber transmission, which promises even crisper and clearer picture quality. now TV customers can also enjoy live BPL matches on-the-go through the now Player app across multiple devices.

In addition to acquiring premium world-class programming, now TV continues to expand its production capabilities and invest in original productions. Employing 1,500 media professionals and creative talents, we are a staunch supporter of the creative industry in Hong Kong. Currently, our 23 local channels of news, sports, entertainment, travel, food, lifestyle and variety programming turn out around 1,000 hours of programs annually, establishing now TV's position as one of the leading producers of quality local content.

Given the increasing proliferation of mobile devices, many viewers now look to the Internet for content options. With our technology capability and full rights to our self-produced content, now TV has created a now Free TV app and made available three self-produced channels (now Hong Kong, now PRIME SPORTS, and now NEWS) through the app for free viewing on smart devices. Our free mobile apps appeal to both our target audience and advertisers, as they cater to today's increasing need for accessible and immediate viewing options. They also provide an effective sampling and promotional platform for our pay-TV service. Currently, there is a total of more than 2 million downloads of our various apps including now Player and now NEWS, which are consistently among the most popular free entertainment apps in Hong Kong.

Online music service MOOV also expanded out of Hong Kong for the first time. In June, MOOV became the first non-Mainland paid music service provider to enter the Chinese market following its launch on Southern Media Corporation's IPTV, the exclusive, mainstream IPTV service in Guangdong. We will continue to explore bringing MOOV to other provinces and across multiple platforms, as well as to Chinese communities in other overseas markets.

Starting from May, pay-TV viewers in Singapore are able to subscribe to now TV programming through StarHub, Singapore's largest pay-TV and Internet operator. This includes entertainment news, movies, dramas, variety shows, etc. via 24-hour channels: now Baogu Movies and now Mango channels, as well as video on demand service. This cooperation strengthens our position as an international program distributor, with our footprint in Malaysia, Thailand, Canada, the U.S., and Singapore.

ENHANCED IT CORE COMPETENCIES

PCCW Solutions, the Group's enterprise IT solutions arm, has continued to benefit from the increase in demand for IT services including cloud and data center hosting services. Furthermore, it successfully complements its organic growth with the acquisition of businesses that have enabled PCCW Solutions to expand its core competences and geographical reach.

In May, PCCW Solutions acquired Compass Solutions Holdings, a leading service provider of SAP's Enterprise Resource Planning (ERP) solutions, which complements our solid expertise in Oracle ERP. With operations in Hong Kong, Macau and mainland China, Compass' portfolio comprises more than 300 customers in various industries, especially the wholesale, retail and manufacturing sectors, including a top retail footwear chain operating 250 outlets and a popular restaurant chain with more than 80 outlets in Hong Kong and Macau. The acquisition of Compass has added a team of around 200 professionals with in-depth expertise in SAP implementation and training, enabling PCCW Solutions to further expand its ERP capabilities, customer base and geographical presence.

Since our 2012 acquisition and integration of Vanda China, a core banking software provider in the Mainland, we have secured more notable contracts from major banks, thus expanding our role as a prime banking and finance solutions provider in China.

In addition, PCCW Solutions won outsourcing contracts in other industries in Hong Kong and in the Mainland during the first half of the year, and assisted mainland enterprises expand into Hong Kong and international markets. The company was one of the Top 5 Leaders in Service Providers and The Most Influential Outstanding Service Provider in the 2013 Golden Service Award organized by China Electronic Information Industry Development Research Institute.

To meet the increasing data center needs in both the corporate and public sectors, PCCW Solutions has been able to convert industrial buildings in Hong Kong into world-class data centers, demonstrating its ability to respond quickly to customer demand when it arises. A 202,000 sq. ft. facility in Kwai Chung is expected to open in phases from the fourth quarter of this year, for which we have already secured a number of long-term contracts. Total data center space would increase to about 423,000 sq. ft. by the end of 2013.

PCCW Solutions possesses the expertise to provide the full spectrum of cloud services. Its Enterprise Solutions Superstore Alliance (ESSA), which provides Software-as-a-Service, is an expanding platform of applications by independent service vendors for small and medium-sized enterprises. We also provide Infrastructure-as-a-Service – the provision of cloud-based IT hardware and bandwidth for applications hosting and delivery etc. – which is also gaining traction. Large enterprises leverage our flexible and scalable service to cope with changing IT resource demands, instead of committing substantial infrastructure investments.

STEADY CASH FLOW CONTRIBUTION FROM HKT

The Group's telecommunications business achieved robust operational results and recorded a strong and steady cash flow in the first six months of this year.

HKT continued to improve service levels to capture higher revenue contribution per customer. We further extended our leadership in the fiber broadband market, with a satisfactory increase during the first half in the number of NETVIGATOR customers enjoying fiber-to-the-home (FTTH) service. Our FTTH infrastructure has now been installed within buildings accounting for three quarters of all households in Hong Kong.

We deployed additional radio spectrum to upgrade our 4G LTE network in June from the transmission specification of 100Mbps to 150Mbps, the highest download speed for mobile devices currently on the market. We have also re-farmed certain spectrum for LTE to provide a powerful dual band 4G LTE network with comprehensive indoor and outdoor coverage. Another major achievement in PCCW-HKT's network enhancement roadmap was the launch of Hong Kong's first 1000Mbps Wi-Fi service in July. Furthermore, we aim to increase the number of Wi-Fi hotspots to more than 20,000 in 2014. The above efforts plus the rollout of new services and products in the past months have helped consolidate our position in the highly competitive mobile market.

Despite a sluggish Hong Kong economy in the first half and the uncertain economic outlook, HKT recorded a healthy business performance in its commercial business and a very encouraging growth in international connectivity business.

NEW PROPERTY PROJECTS FUEL LONG-TERM GROWTH

In May, Pacific Century Premium Developments announced a plan to acquire a plot of land located in Jakarta, Indonesia, and to build on the site a 40-storey Grade A office building with a development area of not less than 132,000 square meters. This proposal was approved by PCPD shareholders at a Special General Meeting in July.

The project's site is in the Sudirman CBD, a prime business district known as the "Jakarta's Golden Triangle". This acquisition is in line with our business strategy of developing premium projects in the Asia Pacific region with a view to sustaining our long-term growth and profitability. This project is scheduled for completion by the end of 2016.

As we are making preparation for this new project, our existing ones in Hokkaido, Japan and Phang-nga, Thailand are moving ahead in line with their respective schedules. These two projects will be developed in phases in the years ahead. Meanwhile, PCPD is also planning to conduct a large-scale renovation of its investment property, Pacific Century Place, in Beijing in order to enhance its value.

ON TRACK TO A REWARDING FULL YEAR

The core segments of the Group successfully implemented their business plans in the first half, which led to satisfactory results for the period while paving the way for more significant contribution to the Group in the medium to longer term. At the same time, PCPD initiated a new project with a view to achieving long-term growth and profitability.

We note that the timetable for the U.S. to withdraw its financial stimulus is uncertain while there are no signs of an immediate major recovery in other advanced economies. Hong Kong is also likely to experience a more subdued growth. Against this background, the PCCW team will continue to develop our business in carefully measured steps. Barring any unforeseen circumstances, we remain optimistic that the full year results will be able to reflect our dedicated efforts to grow the company for the benefits of shareholders.

George Chan
Group Managing Director
August 6, 2013

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard
Chairman
Mr Li, aged 46, was appointed an Executive Director and the Chairman of PCCW in August 1999. He is the Chairman of PCCW's Executive Committee and a member of the Nomination Committee of the Board. He is also the Chairman and Chief Executive of the Pacific Century Group, the Executive Chairman and an Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, the Chairman of HKT's Executive Committee and a member of HKT's Nomination Committee, an Executive Director and the Chairman of Pacific Century Premium Developments Limited (PCPD), the Chairman of PCPD's Executive Committee, a member of PCPD's Remuneration Committee and Nomination Committee, the Chairman and an Executive Director of Singapore-based Pacific Century Regional Developments Limited (PCRD), and the Chairman of PCRD's Executive Committee.

Mr Li is a Non-Executive Director of The Bank of East Asia, Limited. He is also a member of the Center for Strategic and International Studies' International Councillor's 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.

CHAN Ching Cheong, George
Group Managing Director
Mr Chan, aged 60, was appointed an Executive Director and Group Managing Director of PCCW in November 2011. He is a member of PCCW's Executive Committee. He joined the Group as Chairman – PCCW Media Group in 2010 and currently holds directorships in various companies of the Group.

Mr Chan has over 30 years of experience in the media and technology industries. During his 18 years with Television Broadcasts Limited (TVB), he was the Assistant Managing Director of TVB and a director of TVBS from 2004 to 2009. As a successful entrepreneur, he was also a director of several companies engaged in media, telecommunications and technology in Hong Kong and overseas. Amongst his career achievements, Mr Chan was involved in founding TVB (USA) Inc. in 1984, STAR-TV in 1990, Pacific Century Group in 1994 and PCCW in 1999.

Mr Chan graduated with a Bachelor of Science degree from The University of Hong Kong and also has an MBA degree from the University of San Francisco.

HUI Hon Hing, Susanna
Group Chief Financial Officer
Ms Hui, aged 48, was appointed an Executive Director of PCCW in May 2010. She is a member of the Executive Committee and the Regulatory Compliance Committee of the Board. She has been the Group Chief Financial Officer of PCCW since April 2007 and holds directorships in various PCCW group companies. She is also an Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust. Ms Hui is a member of HKT's Executive Committee and the Group Chief Financial Officer of HKT. Prior to her appointment as the Group Chief Financial Officer of PCCW, Ms Hui was Director of Group Finance of PCCW from September 2006 to April 2007. Before that, Ms Hui was Director of Finance of PCCW, with responsibility for the telecommunications services sector and regulatory accounting. Ms Hui was the Chief Financial Officer of Pacific Century Premium Developments Limited from July 2009 to November 2011.

Prior to joining Cable & Wireless HKT Limited (which was subsequently acquired by PCCW) in September 1999, Ms Hui was the chief financial officer of a listed company engaged in hotel and property investment and management.

Ms Hui graduated with a bachelor's degree in social sciences from the University of Hong Kong with first class honours. She is a qualified accountant and a member of both the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

LEE Chi Hong, Robert
Executive Director
Mr Lee, aged 62, was appointed an Executive Director of PCCW in September 2002. He is a member of PCCW's Executive Committee and is a Director of certain PCCW subsidiaries. He is also an Executive Director, the Chief Executive Officer and Deputy Chairman of Pacific Century Premium Developments Limited (PCPD) and a member of PCPD's Executive Committee.

Mr Lee was previously an Executive Director of Sino Land Company Limited (Sino Land), at which his responsibilities included sales, finance, acquisitions, investor relations, marketing and property management. Prior to joining Sino Land, Mr Lee was a senior partner at Deacons in Hong Kong, where he specialized in banking, property development, corporate finance and dispute resolution in Hong Kong and mainland China. Before that, he was a solicitor with the London firm Pritchard Englefield & Tobin (now Thomas Eggar incorporating Pritchard Englefield). He was enrolled as a solicitor in the United Kingdom in 1979 and admitted as a solicitor in Hong Kong in 1980. Mr Lee became a Notary Public in Hong Kong in 1991.

Mr Lee had also served as a member of the panel of arbitrators of the China International Economic and Trade Arbitration Commission of the China Council for the Promotion of International Trade in Beijing.

Mr Lee is a member of the International Council of the Louvre as well as Ambassador for the Louvre in China.

He graduated from Cornell University in the United States in 1975 with a bachelor's degree in political science.

NON-EXECUTIVE DIRECTORS

Sir David FORD, KBE, LVO

Non-Executive Director

Sir David, aged 78, was appointed a Non-Executive Director of PCCW in June 2002 and is a Director of certain PCCW subsidiaries. He is also a Director of certain companies controlled by Mr Li Tzar Kai, Richard, the Chairman of PCCW. He started his working life as an army officer in the Royal Artillery and served in five continents. During his last five years with the army, he served with the Commando Brigade and saw active service in Aden and Borneo.

Sir David left the army in 1972 and subsequently spent more than 20 years in Hong Kong, holding a number of appointments as a senior civil servant in the Hong Kong Government and one appointment in the Northern Ireland Office.

He attended the Royal College of Defence Studies in 1982. He was Chief Secretary and Deputy Governor of the Hong Kong Government from 1986 to 1993, before becoming the Hong Kong Commissioner in London until the change of sovereignty in Hong Kong in 1997.

TSE Sze Wing, Edmund, GBS

Non-Executive Director

Mr Tse, aged 75, is a Non-Executive Director of PCCW. He was an Independent Non-Executive Director of PCCW from September 2009 to March 2011 and was re-designated to a Non-Executive Director of PCCW in March 2011. He is also the Chairman of the Regulatory Compliance Committee of the Board.

Mr Tse is the Non-Executive Chairman and a Non-Executive Director of AIA Group Limited. He is also the Chairman of The Philippine American Life and General Insurance Company. From 1996 until June 2009, Mr Tse was Director of American International Group, Inc. (AIG) and from 2001 until June 2009, he was Senior Vice Chairman – Life Insurance of AIG. From 2000 until June 2009, he was also Chairman and Chief Executive Officer of American International Assurance Company, Limited (now known as AIA Company Limited). Mr Tse has held various senior positions and directorships in other AIG companies. Mr Tse is a Non-Executive Director of PICC Property and Casualty Company Limited. Mr Tse is also the Non-Executive Chairman for Asia ex-Japan of PineBridge Investments Asia Limited and a Non-Executive Director of PineBridge Investments Limited which are asset management companies owned indirectly by Mr Li Tzar Kai, Richard, the Chairman of PCCW.

Mr Tse was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2001 in recognition of his outstanding efforts in respect of the development of Hong Kong's insurance industry. Mr Tse graduated with a Bachelor of Arts degree in Mathematics from the University of Hong Kong (HKU) in 1960. HKU conferred an Honorary Fellowship and an Honorary Doctorate Degree in Social Sciences on Mr Tse in 1998 and 2002 respectively. He also obtained diplomas from the College of Insurance and the Graduate School of Business of Stanford University. He has extensive management experience in the insurance market, both in Asia and globally. In 2003, Mr Tse was elected to the Insurance Hall of Fame, and is so far the only Chinese to receive this most prestigious award in the global insurance industry. Mr Tse serves many community and professional organizations as well as educational institutions. He is also a director of AIA Foundation, which supports charitable causes in Hong Kong.

LU Yimin

Deputy Chairman

Mr Lu, aged 49, became a Non-Executive Director of PCCW in May 2008. He was appointed Deputy Chairman in November 2011 and is a member of PCCW's Executive Committee. He is also a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, and a member of HKT's Remuneration Committee, Nomination Committee and Executive Committee.

Mr Lu is an Executive Director and President of China Unicom (Hong Kong) Limited. He is Vice Chairman and President of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited#). He is also a Director and President of China United Network Communications Limited and a Director and President of China United Network Communications Corporation Limited.

Mr Lu joined China Network Communications Group Corporation (CNC) in December 2007, serving as senior management. Prior to joining CNC, Mr Lu was a member of the Secretary Bureau of the General Office of the Chinese Communist Party Central Committee, serving as the Deputy Director and the Director of the Information Processing Office since 1992, Secretary at deputy director general level since 2001 and Secretary at director general level since 2005.

Mr Lu is a researcher level senior engineer and has extensive experience in government administration and business management. He graduated from Shanghai Jiao Tong University in 1985 with a bachelor's degree in computer science and then was awarded a master's degree in public administration by the John F. Kennedy School of Government at Harvard University in the United States.

For identification only

LI Fushen

Non-Executive Director

Mr Li, aged 50, became a Non-Executive Director of PCCW in July 2007 and is a member of the Nomination Committee of the Board. He is also a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust and is a member of HKT's Regulatory Compliance Committee.

Mr Li is an Executive Director and Chief Financial Officer of China Unicom (Hong Kong) Limited (Unicom HK). He is a Director, Vice President and Chief Accountant of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]). He is also a Director of China United Network Communications Limited and a Director and Senior Vice President of China United Network Communications Corporation Limited.

He served as a Senior Vice President of Unicom HK from February 2009 to March 2011. He served as an Executive Director of China Netcom Group Corporation (Hong Kong) Limited (CNC HK) since January 2007 and as Chief Financial Officer of CNC HK since September 2005. He served as Joint Company Secretary of CNC HK from December 2006 to March 2008. Since October 2005, he has served as Chief Accountant of China Network Communications Group Corporation (CNC). From October 2003 to August 2005, he served as General Manager of the Finance Department of CNC. From November 2001 to October 2003, he served as Deputy General Manager of the former Jilin Provincial Telecommunications Company and Jilin Communications Company.

Mr Li graduated from the Australian National University with a master's degree in management in 2004, and from the Jilin Engineering Institute with a degree in engineering management in 1988. Mr Li has worked in the telecommunications industry for a long period of time and has extensive management experience.

[#] *For identification only*

LI Gang

Non-Executive Director

Mr Li, aged 55, was appointed a Non-Executive Director of PCCW in November 2011 and is a member of the Remuneration Committee of the Board.

Mr Li is a Vice President of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]) and Senior Vice President of China Unicom (Hong Kong) Limited (Unicom HK). He is also a Director and Senior Vice President of China United Network Communications Corporation Limited.

Mr Li served as a Vice President of Unicom HK from April 2006 to February 2009 and has been a Senior Vice President of Unicom HK since February 2009. From April 2006 to October 2008, he also served as an Executive Director of Unicom HK. From August 1999 to December 2005, he served as the Deputy Chairman, General Manager and Chairman of Guangdong Mobile Communication Co., Limited and as the Chairman and General Manager of Beijing Mobile Communication Co., Limited. From May 2000 to December 2005, he also served as an Executive Director of China Mobile (Hong Kong) Limited. Mr Li joined 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited[#]) in December 2005 and served as Vice President.

Mr Li graduated from Beijing University of Posts and Telecommunications and was awarded a master's degree in business administration by Jinan University. Mr Li has worked in the telecommunications industry for a long period of time and has rich management experience.

WEI Zhe, David

Non-Executive Director

Mr Wei, aged 42, is a Non-Executive Director of PCCW. He was appointed an Independent Non-Executive Director of PCCW in November 2011 and was re-designated to a Non-Executive Director of PCCW in May 2012. He is also a member of the Remuneration Committee of the Board.

Mr Wei has over 15 years of experience in both investment and operational management in the People's Republic of China. Prior to launching Vision Knight Capital (China) Fund I, L.P., a private equity investment fund in 2011, Mr Wei was an executive director and chief executive officer of Alibaba.com Limited, a leading worldwide B2B e-commerce company, for about five years, where he successfully led the company through its initial public offering and listing on The Stock Exchange of Hong Kong Limited in 2007. Alibaba.com Limited was delisted in June 2012. Prior to Alibaba.com Limited, Mr Wei was the president, from 2002 to 2006, and chief financial officer, from 2000 to 2002, of B&Q China, a subsidiary of Kingfisher plc, a leading home improvement retailer in Europe and Asia. Under Mr Wei's leadership, B&Q China grew to become China's largest home improvement retailer. From 2003 to 2006, Mr Wei was also the chief representative for Kingfisher's China sourcing office, Kingfisher Asia Limited. Prior to that, Mr Wei served as the head of investment banking at Orient Securities Company Limited from 1998 to 2000, and as corporate finance manager at Coopers & Lybrand (now part of PricewaterhouseCoopers) from 1995 to 1998. Mr Wei was a non-executive director of HSBC Bank (China) Company Limited and The Hongkong and Shanghai Banking Corporation Limited, and was also the vice chairman of China Chain Store & Franchise Association. He was voted as one of "China's Best CEOs" by FinanceAsia magazine in 2010.

He holds a bachelor's degree in international business management from Shanghai International Studies University and has completed a corporate finance program at London Business School.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr The Hon Sir David LI Kwok Po, GBM, GBS, OBE, JP

Independent Non-Executive Director

Sir David, aged 74, was appointed a Director of PCCW in October 2000. He was previously a Non-Executive Deputy Chairman of the former Hong Kong-listed Cable & Wireless HKT Limited and served as a Director from November 1987 to August 2000. He is a member of the Remuneration Committee, the Nomination Committee and the Regulatory Compliance Committee of the Board.

Sir David is the Chairman and Chief Executive of The Bank of East Asia, Limited. He is also a Director of CaixaBank, S.A., Guangdong Investment Limited, The Hong Kong and China Gas Company Limited, The Hongkong and Shanghai Hotels, Limited, Hong Kong Interbank Clearing Limited, The Hong Kong Mortgage Corporation Limited, San Miguel Brewery Hong Kong Limited, SCMP Group Limited, Vitasoy International Holdings Limited and AFFIN Holdings Berhad. He was a Director of COSCO Pacific Limited and China Overseas Land & Investment Limited.

Sir David is the Chairman of The Chinese Banks' Association, Limited and a member of the Council of the Treasury Markets Association. He was a member of the Legislative Council of Hong Kong and a member of the Banking Advisory Committee.

Aman MEHTA

Independent Non-Executive Director

Mr Mehta, aged 66, became an Independent Non-Executive Director of PCCW in February 2004 and is Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Board. He joined the Board following a distinguished career in the international banking community. Mr Mehta held the position of Chief Executive Officer of The Hongkong and Shanghai Banking Corporation Limited (HSBC) until December 2003, when he retired.

Born in India in 1946, Mr Mehta joined HSBC group in Bombay in 1967. After a number of assignments throughout HSBC group, he was appointed Manager – Corporate Planning at HSBC's headquarters in Hong Kong in 1985. After a three-year posting to Riyadh in Saudi Arabia, he was appointed Group General Manager in 1991, and General Manager – International the following year, with responsibility for overseas subsidiaries. He subsequently held senior positions in the United States, overseeing HSBC group companies in the Americas and later becoming responsible for HSBC's operations in the Middle East.

In 1998, Mr Mehta was reappointed General Manager – International, after which he became Executive Director International. In 1999, he was appointed Chief Executive Officer, a position he held until retirement.

Following his retirement in December 2003, Mr Mehta took up residence in New Delhi. He is an Independent Director on the board of several public companies and institutions in India and internationally. He is an Independent Non-Executive Director of Vedanta Resources plc in the United Kingdom, Tata Consultancy Services Limited, Godrej Consumer Products Limited, Jet Airways (India) Limited and Wockhardt Limited in Mumbai, India; and Max India Limited and Cairn India Limited in New Delhi, India. He was an Independent Non-Executive Director of Emaar MGF Land Limited and an Independent Director on the Supervisory Board of ING Groep N.V., a Netherlands company.

Mr Mehta is also a member of the Governing Board of Indian School of Business, Hyderabad, and a member of the Advisory Panel of Prudential Financial Inc. in the United States.

Frances Waikwun WONG

Independent Non-Executive Director

Ms Wong, aged 51, was appointed an Independent Non-Executive Director of PCCW in March 2012 and is a member of the Nomination Committee of the Board. She is also an Independent Non-Executive Director of Pacific Century Regional Developments Limited.

Ms Wong is currently a financial advisor of Good Harbour Finance Limited. She began her career as a management consultant at McKinsey & Company in the United States in 1986. Ms Wong returned to Hong Kong and joined the Hutchison Whampoa group of companies in 1988, taking on various positions. She was managing director of Weatherite Manufacturing Limited, an air conditioning manufacturer. Later, Ms Wong became chief executive officer of Metro Broadcast Corporation Limited. Eventually, she became chief financial officer of Star TV, Asia's first satellite television company. After leaving the Hutchison Whampoa Group in 1992, she became group chief financial officer for the Pacific Century Group. After she resigned from the Pacific Century Group in 1999, she founded the Independent Schools Foundation in Hong Kong.

Ms Wong was educated in the United States at Stanford University where she received a Bachelor of Science degree. She holds a Master of Science degree from the Massachusetts Institute of Technology. Ms Wong was a member of the Central Policy Unit, the Government of the Hong Kong Special Administrative Region (think tank). She has served on many educational boards including the Canadian International School of Hong Kong, The Open University of Hong Kong and was a member of the Joint Committee on Student Finance of Student Financial Assistance Agency.

Bryce Wayne LEE

Independent Non-Executive Director

Mr Lee, aged 48, was appointed an Independent Non-Executive Director of PCCW in May 2012 and is a member of the Audit Committee and the Remuneration Committee of the Board.

Mr Lee is a partner of Silver Lake Kraftwerk, an investment strategy that provides growth capital in the energy and resource sectors. Previously, he was a managing director of Credit Suisse Group AG ("Credit Suisse") in the Investment Banking division, serving as head of the Technology Group for the Americas and as co-head of the Alternative Energy Group. Mr Lee was instrumental in building Credit Suisse's investment banking franchises in Asia and in cleantech, and was named to Forbes magazine's "Midas List" of the top 100 technology dealmakers in the world. He was a member of Credit Suisse's Investment Banking Committee and served on the Managing Director Evaluation Committee. Mr Lee has led numerous transactions for industry leaders in the TMT (telecom, media and technology) and cleantech sectors in the United States and globally. Over his 19 years at Credit Suisse, Mr Lee has executed and advised on over US$88.7 billion capital markets and M&A advisory transactions globally for public and private TMT and cleantech companies. Mr Lee holds a Bachelor of Arts degree in Economics and Asian Languages from Stanford University.

Lars Eric Nils RODERT

Independent Non-Executive Director

Mr Rodert, aged 52, was appointed an Independent Non-Executive Director of PCCW in November 2012 and is a member of the Audit Committee of the Board.

Mr Rodert has served as a director of Brookfield Property Partners L.P.'s General Partner since April 2013 and he served as a director of Brookfield Infrastructure Partners L.P.'s Managing General Partner from December 2010 to April 2013. He is a Senior Portfolio Manager for Inter IKEA Treasury in North America and Europe. Prior to this role, he was most recently Chief Investment Officer, Global Equities, at SEB Asset Management and prior to that he was Head of North American Equities at the same firm. Based in Belgium, Mr Rodert has an in depth knowledge of continental European markets and is seasoned in analyzing investment opportunities. He holds a Bachelor of Arts degree from Stockholm University, with a major in finance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Core revenue increased by 16% to HK$12,815 million; consolidated revenue (including PCPD) increased by 12% to HK$13,314 million
- Core EBITDA increased by 7% to HK$3,936 million; consolidated EBITDA (including PCPD) increased by 3% to HK$3,946 million
- Consolidated profit attributable to equity holders of the Company increased by 2% to HK$856 million; basic earnings per share amounted to 11.79 HK cents
- Interim dividend of 6.35 HK cents per ordinary share

MANAGEMENT REVIEW

We are pleased to announce a set of solid financial results by PCCW for the six months ended June 30, 2013, which was attributable to satisfactory performance of all core segments. Riding on the sustained growth momentum of HKT Limited and the HKT Trust (collectively "HKT"), our efforts to grow the Media and Solutions businesses are now starting to come to fruition, especially in light of the growth of the Solutions business.

Core revenue for the six months ended June 30, 2013 increased by 16% to HK$12,815 million, with core EBITDA increasing by 7% to HK$3,936 million.

Consolidated revenue for the six months ended June 30, 2013 increased by 12% to HK$13,314 million and consolidated EBITDA increased by 3% to HK$3,946 million, despite the lower revenue and EBITDA contributions from PCPD, which amounted to HK$499 million and HK$10 million respectively.

Consolidated profit attributable to equity holders of the Company increased by 2% to HK$856 million. Basic earnings per share was 11.79 HK cents, an increase of 2% from the corresponding period in the prior year.

The board of Directors (the "Board") has resolved to declare an interim dividend of 6.35 HK cents per ordinary share for the six months ended June 30, 2013.

OUTLOOK

As a source of stable cash flow for the Group, HKT has fortified its market position in the fiber broadband, mobile and international connectivity businesses. We are pleased that more customers are enjoying our fiber-to-the-home ("FTTH") service, as HKT's fiber infrastructure has expanded to buildings accounting for three quarters of Hong Kong households. HKT is actively growing its business to serve not just the basic telecommunications needs of customers – our strategy is to provide leading-edge network platforms, ultra-high fixed and mobile transmission speeds, an integrated user experience, plus new services that enrich modern lifestyles. This strategy should position us for further growth.

The Barclays Premier League ("BPL") is a catalyst to drive the Media business' growth initiatives. It has generated an encouraging response to subscribe and upgrade to now TV's higher-value packages even before the season kicks off this summer. We expect this momentum to accelerate in the second half of the year, and are confident of the continued monetization of this valuable property in the coming periods. Meanwhile, international expansion of the Media business, which saw satisfactory progress in the first half of the year, will act as another growth engine in the medium term.

Given its proven track record and the trend of IT outsourcing and cloud computing, the momentum in the Solutions business should continue into the second half of the year. Furthermore, the business has made prudent acquisitions to expand its core competencies and geographical reach, which is integral to its strategy to complement its organic growth to drive medium and long-term profitability.

Following the fruitful completion of the Bel-Air project, PCPD is now entering a new investment cycle with the commencement of a new development in Indonesia with a view to achieving long-term growth and profitability.

We would like to take the opportunity to thank all of our customers, employees and shareholders for their support during the period. Barring any unforeseen circumstances, we remain optimistic that the full year results will be able to reflect our dedicated efforts to grow the Company for the benefits of shareholders.

Note: Core revenue refers to consolidated revenue excluding Pacific Century Premium Developments Limited ("PCPD"), the Group's property development and investment business; core EBITDA refers to consolidated EBITDA excluding PCPD.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK$ million	June 30, 2012	December 31, 2012 (Restated)[4]	**June 30, 2013**	Better/ (Worse) y-o-y
Revenue				
HKT	9,715	11,366	**11,071**	14%
Media Business	1,262	1,546	**1,299**	3%
Solutions Business	1,128	1,349	**1,393**	24%
Other Businesses	38	33	**28**	(26)%
Eliminations	(1,085)	(1,218)	**(976)**	10%
Core revenue	11,058	13,076	**12,815**	16%
PCPD	848	336	**499**	(41)%
Consolidated revenue	11,906	13,412	**13,314**	12%
Cost of sales	(5,281)	(6,535)	**(6,343)**	(20)%
Operating costs before depreciation, amortization, and (loss)/gain on disposal of property, plant and equipment and intangible assets, net	(2,789)	(2,927)	**(3,025)**	(8)%
EBITDA[1]				
HKT	3,736	3,933	**3,839**	3%
Media Business	217	274	**223**	3%
Solutions Business	168	267	**217**	29%
Other Businesses	(312)	(273)	**(268)**	14%
Eliminations	(139)	(192)	**(75)**	46%
Core EBITDA[1]	3,670	4,009	**3,936**	7%
PCPD	166	(59)	**10**	(94)%
Consolidated EBITDA[1]	3,836	3,950	**3,946**	3%
Core EBITDA[1] margin	*33%*	*31%*	***31%***	
Consolidated EBITDA[1] margin	*32%*	*29%*	***30%***	
Depreciation and amortization	(2,134)	(2,287)	**(2,266)**	(6)%
(Loss)/Gain on disposal of property, plant and equipment and intangible assets, net	(3)	(10)	**5**	NA
Other gains, net	12	359	**196**	>500%
Interest income	27	35	**37**	37%
Finance costs	(469)	(497)	**(595)**	(27)%
Share of results of associates and joint ventures	(43)	21	**32**	NA
Profit before income tax	1,226	1,571	**1,355**	11%

Note 1 *EBITDA represents earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortization of land lease premium and intangible assets, gain/loss on disposal of property, plant and equipment, investment properties, interests in leasehold land and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*

Note 2 *Gross debt refers to the principal amount of short-term borrowings and long-term borrowings.*

Note 3 *Group capital expenditure includes additions to property, plant and equipment and interests in leasehold land.*

Note 4 *Please refer to Note 1 of the unaudited condensed consolidated interim financial information for details.*

HKT

For the six months ended HK$ million	June 30, 2012	December 31, 2012	**June 30, 2013**	Better/ (Worse) y-o-y
HKT Revenue	9,715	11,366	**11,071**	14%
HKT EBITDA[1]	3,736	3,933	**3,839**	3%
HKT EBITDA[1] margin	*38%*	*35%*	***35%***	
HKT Adjusted Funds Flow	1,430	1,242	**1,484**	4%

HKT delivered another set of solid financial results for the six months ended June 30, 2013. Revenue increased by 14% to HK$11,071 million while EBITDA increased by 3% to HK$3,839 million. More importantly, HKT's adjusted funds flow grew to HK$1,484 million, an increase of 4%. HKT announced a distribution per share stapled unit of 21 HK cents.

HKT's results were underpinned by the continued strong demand for its high speed FTTH service and growth in revenue from International Telecommunications services. Mobile continued to be a growth driver as it focuses on the higher-value, premium segment of the market. HKT's mobile network, which was upgraded during the period, is increasingly being recognized for its speed and performance. Together with its extensive Wi-Fi coverage of over 12,000 hotspots, HKT is offering customers unparalleled mobile experiences.

During the period, HKT continued to improve its service levels to capture higher revenue contribution per customer and broaden its scope of activities to meet the evolving needs of customers. As a result, it is well positioned to maintain and grow its leading position in the Hong Kong market.

For a more detailed review of the performance of HKT, please refer to its 2013 interim results announcement released on August 5, 2013.

Media Business

For the six months ended HK$ million	June 30, 2012	December 31, 2012	**June 30, 2013**	Better/ (Worse) y-o-y
Media Business Revenue	1,262	1,546	**1,299**	3%
Media Business EBITDA[1]	217	274	**223**	3%
Media Business EBITDA[1] margin	*17%*	*18%*	***17%***	

Revenue for the Media business for the six months ended June 30, 2013 grew by 3% year-on-year to HK$1,299 million. The growth in revenue was driven by the continued expansion of the total installed now TV subscriber base, which reached 1,204,000 by the end of June 2013, representing a net gain of 39,000 subscribers or an increase of 3% from a year ago. now TV average revenue per user ("ARPU") also rose to HK$174 compared with HK$172 a year earlier.

In addition to acquiring world-class programs, now TV has also continued to expand its production capabilities, turning out around 1,000 hours of programs annually. now TV has partnered with several leading content providers in mainland China to co-produce channels such as now Mango and now Hairun. now TV's program lineup is particularly attractive in sports, movies and programs for children, with many of these premium channels available in Hong Kong exclusively on now TV.

The rights to exclusively broadcast the BPL for three seasons commencing August 2013 have elicited very encouraging customer response to subscribe or upgrade to the higher-value Super Sports Pack since the beginning of the year. This momentum is expected to continue in the second half of the year as the new BPL season kicks off.

During the period, the Media business made significant progress in distributing now TV channels to overseas markets. Its footprint now includes Malaysia, Thailand, Singapore, Canada and the U.S.

now TV has also harnessed the technological capabilities within the Group to develop its new media business. With its TV Everywhere proposition, viewers can watch now TV content on multiple devices, including smartphones and tablets. This appeals to both viewers and advertisers, and creates an effective promotional platform for now TV.

The Media business rigorously managed content costs which remained flat during the period. Despite an increase in sales and marketing costs to support the rollout of the Super Sports Pack and continued investments in international program distribution, EBITDA for the period increased by 3% year-on-year to HK$223 million, with EBITDA margin steady at 17%.

Solutions Business

For the six months ended HK$ million	June 30, 2012	December 31, 2012	**June 30, 2013**	Better/ (Worse) y-o-y
Solutions Business Revenue	1,128	1,349	**1,393**	24%
Solutions Business EBITDA[1]	168	267	**217**	29%
Solutions Business EBITDA[1] margin	*15%*	*20%*	***16%***	

Revenue of the Solutions business for the six months ended June 30, 2013 increased by 24% year-on-year to HK$1,393 million. This significant growth in revenue was attributable to the successful execution of existing projects, expansion of our presence in the mainland China market and growing demand for our highly secure data centre services.

The Solutions business has completed a couple of acquisitions to complement its organic growth to drive further profitability. Although the acquisitions of Vandasoft Technology Holdings Limited ("Vanda China") and Compass Solutions Holdings Limited ("Compass Solutions") did not significantly contribute to the results in the first half of the year, both have provided the Solutions business with additional capabilities to service its existing clients and the opportunity to provide its wide range of existing capabilities to the customers of Vanda China and Compass Solutions.

EBITDA for the period increased by an impressive 29% year-on-year to HK$217 million. The EBITDA margin improved to 16% from 15% a year ago reflecting the benefits of the increasing scale of the Solutions business.

As at June 30, 2013, the value of the secured orders for the Solutions business amounted to approximately HK$5.2 billion, representing an increase of 4% from HK$5.0 billion a year ago. Among these orders, cloud-related services accounted for a larger proportion than before from about 3% a year earlier to about 10% for the first half of 2013.

PCPD

PCPD recorded total revenue of HK$499 million for the six months ended June 30, 2013, mainly from the recognition of the last two houses of Villa Bel-Air and rental income from Pacific Century Place in Beijing. EBITDA for the first half of the year was HK$10 million. These compared respectively with the HK$848 million revenue and HK$166 million EBITDA a year earlier.

Pacific Century Place had an average occupancy rate of approximately 61% for the six months ended June 30, 2013. Meanwhile, PCPD is considering plans to upgrade Pacific Century Place to enhance its long-term capital value.

The two existing overseas projects in Hokkaido, Japan and Phang-nga, Southern Thailand are also proceeding in accordance with their respective schedules. It would take some time before these projects would generate significant revenue.

PCPD is now entering a new investment cycle with a view to sustaining its long-term growth and profitability. In May 2013, PCPD entered into an agreement for the acquisition of a plot of land in the central business district of Jakarta, Indonesia, in which it plans to invest up to approximately US$400 million for the development of a 40-storey world-class Grade A office building. The development is expected to be completed in 2016.

For more information about the performance of PCPD, please refer to its 2013 interim results announcement released on August 5, 2013.

Other Businesses

Other Businesses primarily comprised the wireless broadband business in the United Kingdom and corporate support functions. Revenue from Other Businesses was HK$28 million for the six months ended June 30, 2013 (June 30, 2012: HK$38 million), while the cost of the Group's Other Businesses decreased by 14% to HK$268 million (June 30, 2012: HK$312 million) as we continued our efforts to streamline back office support and processes to drive operating efficiency.

Eliminations

Eliminations for the six months ended June 30, 2013 declined to HK$976 million (June 30, 2012: HK$1,085 million). Eliminations mainly represented eliminations of intra-group sale and transfer of rights to use certain equipment and assets in the ordinary course of business on an arm's length basis.

Costs

Cost of Sales

For the six months ended HK$ million	June 30, 2012	December 31, 2012	**June 30, 2013**	Better/ (Worse) y-o-y
The Group (excluding PCPD)	4,801	6,384	**6,073**	(26)%
PCPD	480	151	**270**	44%
Group Total	5,281	6,535	**6,343**	(20)%

The Group's consolidated total cost of sales for the six months ended June 30, 2013 increased by 20% year-on-year to HK$6,343 million. This comprised a 26% increase in the cost of sales for the core business which was in line with the increase in core revenue and a 44% improvement in the cost of sales for PCPD.

General and Administrative Expenses

During the period, the operating expenses before depreciation and amortization, and (loss)/gain on disposal of property, plant and equipment and intangible assets, net, increased by 8% to HK$3,025 million for the six months ended June 30, 2013, compared to HK$2,789 million a year ago. The increase was largely due to business expansion at HKT's International business and the Media and Solutions businesses, and inflationary pressure on staff costs and rental expenses. Customer acquisition costs at HKT's Mobile business and capital expenditure increased in line with business growth, and thus depreciation and amortization expenses increased by 6% year-on-year to HK$2,266 million. As a result, general and administrative expenses increased by 7% year-on-year to HK$5,286 million for the six months ended June 30, 2013.

EBITDA[1]

Core EBITDA for the six months ended June 30, 2013 increased by 7% year-on-year to HK$3,936 million representing a margin of 31%. Combined with PCPD EBITDA of HK$10 million, consolidated EBITDA increased by 3% year-on-year to HK$3,946 million for the period representing a margin of 30%.

Interest Income and Finance Costs

Interest income for the six months ended June 30, 2013 increased to HK$37 million due to a higher average cash balance during the first half of 2013. Finance costs increased by 27% year-on-year to HK$595 million, due to the issue of US$500 million 10-year guaranteed notes in March 2013 at HKT, the full six-month impact of US$300 million 10-year guaranteed notes issued in April 2012 at PCCW and the drawdown of banking facilities by PCPD for its recently announced project. In addition, there was a one-off, non-cash expense at HKT associated with the refinancing of banking facilities during the period. As a result, net finance costs increased by 26% year-on-year to HK$558 million for the period.

Income Tax

Current income tax expense for the six months ended June 30, 2013 was HK$306 million, as compared to HK$312 million a year ago. During the period, a deferred income tax credit of HK$396 million was recorded mainly due to the utilization and recognition of previously unrecognized tax losses as certain loss-making companies had turned profitable. As a result, the Group recorded a net income tax credit of HK$90 million in the first half of 2013.

Non-controlling Interests

Non-controlling interests increased by 34% year-on-year to HK$589 million for the six months ended June 30, 2013, which primarily represented the net profit attributable to the non-controlling shareholders of HKT and PCPD.

Consolidated Profit Attributable to Equity Holders of the Company

Consolidated profit attributable to equity holders of the Company for the six months ended June 30, 2013 increased 2% year-on-year to HK$856 million (June 30, 2012: HK$836 million).

LIQUIDITY AND CAPITAL RESOURCES

The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholders' return and a sound capital position. Adjustments are made, when necessary, to maintain an optimal capital structure in light of changes in economic conditions and to reduce the cost of capital.

Taking advantage of the favorable market environment and historically low Treasury yields in the U.S., HKT raised US$500 million through the issue of 10-year guaranteed notes at a coupon rate of 3.75% in March 2013 to refinance the US$500 million 6% guaranteed notes due in July 2013. The Group's gross debt[2], therefore, increased to HK$31,383 million as at June 30, 2013 (December 31, 2012: HK$26,542 million), and the Group's gross debt[2] to total assets increased to 59% as at June 30, 2013 (December 31, 2012: 53%).

As at June 30, 2013, the Group had a total of HK$24,122 million in committed bank loan facilities available for liquidity management, of which HK$10,678 million remained undrawn. Of these committed bank loan facilities, HKT accounted for HK$17,676 million, of which HK$7,403 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2013, Hong Kong Telecommunications (HKT) Limited, an indirect non-wholly owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB).

CAPITAL EXPENDITURE[3]

Group capital expenditure for the six months ended June 30, 2013 was HK$1,195 million (June 30, 2012: HK$922 million), of which HKT accounted for about 85% for the period (June 30, 2012: 92%). Major outlays for the period were mainly in network expansion and enhancement to meet demand for high-speed broadband fiber services, mobile services and international networks, while the remainder was mainly used to expand the data center capacity of the Solutions business.

Going forward, the Group will continue to invest in its delivery platform and networks taking into account the prevailing market conditions, and using assessment criteria including internal rate of return, net present value and payback period.

HEDGING

Market risk arises from foreign currency and interest rate exposures related to cash investments and borrowings. As a matter of policy, the Group continues to manage the market risk directly relating to its operations and financing and does not undertake any speculative derivative trading activities. The Group determines appropriate risk management activities with the aim of prudently managing the market risk associated with transactions undertaken in the normal course of the Group's business. All treasury risk management activities are carried out in accordance with the Group's policies and guidelines, which are reviewed on a regular basis.

More than three quarters of the Group's consolidated revenue and costs are denominated in Hong Kong dollars. For those operations with revenues denominated in foreign currencies, the related costs and expenses are usually denominated in the same foreign currencies and hence providing a natural hedge against each other. Therefore, the Group is not exposed to significant foreign currency fluctuation risk from operations.

As for financing, a majority portion of the Group's debt is denominated in United States dollars. Accordingly, the Group has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at June 30, 2013, all cross currency interest rate swap contracts were designated as cash flow hedges and fair value hedges for the Group's foreign currency denominated short-term and long-term borrowings.

As a result, the Group's operational and financial risks are considered minimal.

CHARGE ON ASSETS

As at June 30, 2013, certain assets of the Group with an aggregate carrying value of HK$6,164 million (December 31, 2012: HK$5,819 million) were pledged to secure loans and bank loan facilities of the Group.

CONTINGENT LIABILITIES

HK$ million	As at December 31, 2012 (Audited)	**As at June 30, 2013 (Unaudited)**
Performance guarantee	477	**518**
Others	91	**95**
	568	**613**

The Group is subject to certain corporate guarantee obligations to guarantee performance of its subsidiaries in the normal course of their businesses. The amount of liabilities arising from such obligations, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.

HUMAN RESOURCES

As at June 30, 2013, the Group had approximately 21,500 employees (June 30, 2012: 19,800). About 60% of these employees work in Hong Kong and the others are based mainly in mainland China and the Philippines. The Group has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve the Group's business performance targets. Payment of bonuses is generally based on achievement of EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 6.35 HK cents (June 30, 2012: 5.51 HK cents) per ordinary share for the six months ended June 30, 2013 to shareholders of the Company whose names appear on the register of members of the Company on Friday, September 13, 2013, payable on or around Friday, October 4, 2013.

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2013

In HK$ million (except for earnings per share)	Note(s)	2012 (Unaudited)	**2013 (Unaudited)**
Turnover	2	11,906	**13,314**
Cost of sales		(5,281)	**(6,343)**
General and administrative expenses		(4,926)	**(5,286)**
Other gains, net	3	12	**196**
Interest income		27	**37**
Finance costs		(469)	**(595)**
Share of results of associates		9	**7**
Share of results of joint ventures		(52)	**25**
Profit before income tax	2, 4	1,226	**1,355**
Income tax	5	51	**90**
Profit for the period		1,277	**1,445**
Attributable to:			
Equity holders of the Company		836	**856**
Non-controlling interests		441	**589**
Profit for the period		1,277	**1,445**
Earnings per share	7		
Basic		11.51 cents	**11.79 cents**
Diluted		11.51 cents	**11.79 cents**

The notes on pages 26 to 42 form an integral part of this unaudited condensed consolidated interim financial information. Details of the dividend payable to equity holders of the Company attributable to the profit for the period are set out in note 6.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2013

In HK$ million	2012 (Unaudited)	**2013 (Unaudited)**
Profit for the period	1,277	**1,445**
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to income statement:		
Exchange differences on translating foreign operations	(59)	**(92)**
Available-for-sale financial assets:		
– changes in fair value	9	**9**
– transfer to income statement on impairment	–	**1**
Cash flow hedges:		
– effective portion of changes in fair value	(14)	**(15)**
– transfer from equity to income statement	19	**(20)**
Other comprehensive loss for the period	(45)	**(117)**
Total comprehensive income for the period	1,232	**1,328**
Attributable to:		
Equity holders of the Company	806	**780**
Non-controlling interests	426	**548**
Total comprehensive income for the period	1,232	**1,328**

The notes on pages 26 to 42 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at June 30, 2013

In HK$ million	Note	The Group As at December 31, 2012 (Audited) (Restated) *(Note 1)*	The Group As at **June 30, 2013 (Unaudited)**	The Company As at December 31, 2012 (Audited)	The Company As at **June 30, 2013 (Unaudited)**
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		15,534	**15,457**	–	**–**
Investment properties		5,804	**6,134**	–	**–**
Interests in leasehold land		512	**500**	–	**–**
Properties held for/under development		1,146	**1,085**	–	**–**
Goodwill		3,371	**3,437**	–	**–**
Intangible assets		3,385	**3,506**	–	**–**
Investments in subsidiaries		–	**–**	12,089	**12,089**
Interests in associates		591	**597**	–	**–**
Interests in joint ventures		539	**735**	–	**–**
Held-to-maturity investments		1	**1**	–	**–**
Available-for-sale financial assets		685	**541**	–	**–**
Derivative financial instruments		253	**74**	–	**–**
Financial assets at fair value through profit or loss		–	**1**	–	**–**
Deferred income tax assets		703	**1,149**	–	**–**
Other non-current assets		546	**555**	–	**–**
		33,070	**33,772**	12,089	**12,089**
Current assets					
Properties for sale		214	**–**	–	**–**
Amounts due from subsidiaries		–	**–**	17,756	**17,254**
Sales proceeds held in stakeholders' accounts		678	**550**	–	**–**
Restricted cash		1,319	**1,029**	–	**–**
Prepayments, deposits and other current assets		4,775	**5,320**	32	**7**
Inventories		1,084	**1,073**	–	**–**
Amounts due from related companies		93	**108**	–	**–**
Derivative financial instruments		4	**–**	–	**–**
Trade receivables, net	8	4,041	**3,975**	–	**–**
Tax recoverable		13	**3**	–	**–**
Short-term deposits		–	**5**	–	**–**
Cash and cash equivalents		4,553	**7,750**	888	**1,916**
		16,774	**19,813**	18,676	**19,177**

CONSOLIDATED AND COMPANY BALANCE SHEETS *(CONTINUED)*

As at June 30, 2013

In HK$ million	Note	The Group As at December 31, 2012 (Audited) (Restated) *(Note 1)*	The Group As at **June 30, 2013 (Unaudited)**	The Company As at December 31, 2012 (Audited)	The Company As at **June 30, 2013 (Unaudited)**
Current liabilities					
Short-term borrowings		(8,540)	**(3,959)**	–	**–**
Derivative financial instruments		–	**(8)**	–	**–**
Trade payables	9	(2,380)	**(2,278)**	–	**–**
Accruals and other payables		(4,129)	**(3,743)**	(11)	**(6)**
Amount payable to the Government under the Cyberport Project Agreement		(959)	**(509)**	–	**–**
Carrier licence fee liabilities		(196)	**(251)**	–	**–**
Amounts due to related companies		(136)	**(247)**	–	**–**
Advances from customers		(1,903)	**(1,821)**	–	**–**
Current income tax liabilities		(1,169)	**(1,351)**	–	**–**
		(19,412)	**(14,167)**	(11)	**(6)**
Net current (liabilities)/assets		(2,638)	**5,646**	18,665	**19,171**
Total assets less current liabilities		30,432	**39,418**	30,754	**31,260**
Non-current liabilities					
Long-term borrowings	10	(17,926)	**(26,598)**	–	**(1,570)**
Amount due to a subsidiary		–	**–**	(2,282)	**(2,103)**
Derivative financial instruments		(56)	**(557)**	(56)	**(240)**
Deferred income tax liabilities		(2,321)	**(2,385)**	–	**–**
Deferred income		(989)	**(939)**	–	**–**
Defined benefit liability		(182)	**(182)**	–	**–**
Carrier licence fee liabilities		(719)	**(697)**	–	**–**
Other long-term liabilities		(101)	**(105)**	–	**–**
		(22,294)	**(31,463)**	(2,338)	**(3,913)**
Net assets		8,138	**7,955**	28,416	**27,347**
CAPITAL AND RESERVES					
Share capital	11	1,818	**1,818**	1,818	**1,818**
Reserves		6,982	**6,744**	26,598	**25,529**
Equity attributable to equity holders of the Company		8,800	**8,562**	28,416	**27,347**
Non-controlling interests		(662)	**(607)**	–	**–**
Total equity		8,138	**7,955**	28,416	**27,347**

The notes on pages 26 to 42 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2013

In HK$ million	The Group 2012 (Unaudited)														The Company 2012 (Unaudited)
	Attributable to equity holders of the Company												Non-controlling interests	Total equity	Total equity
	Share capital	Share premium	Special capital reserve	Capital redemption reserve	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Available-for-sale financial assets reserve	Other reserve	Accumulated losses	Total			
At January 1, 2012 (Restated) ***(Note 1)***	1,818	9,143	8,560	3	(18)	96	1,079	154	181	(31)	(15,014)	5,971	1,476	7,447	28,179
Total comprehensive income for the period															
Profit for the period	–	–	–	–	–	–	–	–	–	–	836	836	441	1,277	1,532
Other comprehensive income/(loss)															
Items that may be reclassified subsequently to income statement:															
Exchange differences on translating foreign operations	–	–	–	–	–	–	(41)	–	–	–	–	(41)	(18)	(59)	–
Available-for-sale financial assets:															
– changes in fair value	–	–	–	–	–	–	–	–	7	–	–	7	2	9	–
Cash flow hedges:															
– effective portion of changes in fair value	–	–	–	–	–	–	–	(9)	–	–	–	(9)	(5)	(14)	–
– transfer from equity to income statement	–	–	–	–	–	–	–	13	–	–	–	13	6	19	–
	–	–	–	–	–	–	(41)	4	7	–	836	806	426	1,232	1,532
Transactions with equity holders															
Purchase of shares of PCCW Limited ("PCCW Shares") under share award schemes	–	–	–	–	(30)	–	–	–	–	–	–	(30)	(2)	(32)	–
Employee share-based compensation	–	–	–	–	–	6	–	–	–	–	–	6	–	6	–
Final dividend paid in respect of previous year *(note 6(b))*	–	–	(771)	–	–	–	–	–	–	–	–	(771)	–	(771)	(771)
Dividend declared and paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(116)	(116)	–
Gain arising from distributions in specie of share stapled units of the HKT Trust and HKT Limited ("Share Stapled Units") *(note 6(c))*	–	–	–	–	–	–	–	–	–	–	1,625	1,625	(182)	1,443	–
Increase in interests in subsidiaries *(note 19)*	–	–	–	–	–	–	–	–	–	–	747	747	(2,304)	(1,557)	–
Contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	30	30	–
	–	–	(771)	–	(30)	6	–	–	–	–	2,372	1,577	(2,574)	(997)	(771)
At June 30, 2012 (Restated) ***(Note 1)***	1,818	9,143	7,789	3	(48)	102	1,038	158	188	(31)	(11,806)	8,354	(672)	7,682	28,940

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY *(CONTINUED)*

For the six months ended June 30, 2013

In HK$ million	The Group 2013 (Unaudited)														The Company 2013 (Unaudited)
	Attributable to equity holders of the Company												Non-controlling interests	Total equity	Total equity
	Share capital	Share premium	Special capital reserve	Capital redemption reserve	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Available-for-sale financial assets reserve	Other reserve	Accumulated losses	Total			
At January 1, 2013 (Restated) ***(Note 1)***	1,818	9,143	7,388	3	(44)	100	1,188	89	166	(31)	(11,020)	8,800	(662)	8,138	28,416
Total comprehensive income for the period															
Profit for the period	–	–	–	–	–	–	–	–	–	–	856	856	589	1,445	(90)
Other comprehensive income/(loss)															
Items that may be reclassified subsequently to income statement:															
Exchange differences on translating foreign operations	–	–	–	–	–	–	(68)	–	–	–	–	(68)	(24)	(92)	–
Available-for-sale financial assets:															
– changes in fair value	–	–	–	–	–	–	–	–	10	–	–	10	(1)	9	–
– transfer to income statement on impairment	–	–	–	–	–	–	–	–	1	–	–	1	–	1	–
Cash flow hedges:															
– effective portion of changes in fair value	–	–	–	–	–	–	–	(6)	–	–	–	(6)	(9)	(15)	10
– transfer from equity to income statement	–	–	–	–	–	–	–	(13)	–	–	–	(13)	(7)	(20)	(4)
	–	–	–	–	–	–	(68)	(19)	11	–	856	780	548	1,328	(84)
Transactions with equity holders															
Purchase of PCCW Shares under share award schemes	–	–	–	–	(37)	–	–	–	–	–	–	(37)	–	(37)	–
Purchase of Share Stapled Units under Share Stapled Units award schemes	–	–	–	–	–	–	–	–	–	–	(14)	(14)	(6)	(20)	–
Employee share-based compensation	–	–	–	–	–	19	–	–	–	–	–	19	1	20	–
Vesting of PCCW Shares under the share award schemes and Share Stapled Units under the Share Stapled Units award schemes	–	–	–	–	6	(9)	–	–	–	–	2	(1)	1	–	–
Final dividend paid in respect of previous year *(note 6(b))*	–	–	(985)	–	–	–	–	–	–	–	–	(985)	–	(985)	(985)
Dividend declared and paid to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(511)	(511)	–
Effects of consolidation of a former associate	–	–	–	–	–	–	–	–	–	–	–	–	22	22	–
	–	–	(985)	–	(31)	10	–	–	–	–	(12)	(1,018)	(493)	(1,511)	(985)
At June 30, 2013	1,818	9,143	6,403	3	(75)	110	1,120	70	177	(31)	(10,176)	8,562	(607)	7,955	27,347

The notes on pages 26 to 42 form an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2013

In HK$ million	2012 (Unaudited)	**2013 (Unaudited)**
Net cash generated from operating activities	2,437	**3,235**
Net cash used in investing activities	(3,828)	**(2,850)**
Net cash generated from financing activities	986	**2,807**
Net (decrease)/increase in cash and cash equivalents	(405)	**3,192**
Exchange differences	(23)	**5**
Cash and cash equivalents at January 1,	5,365	**4,553**
Cash and cash equivalents at June 30,	4,937	**7,750**
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	6,244	**8,784**
Less: Short-term deposits	–	**(5)**
Less: Restricted cash	(1,307)	**(1,029)**
	4,937	**7,750**

The notes on pages 26 to 42 form an integral part of this unaudited condensed consolidated interim financial information.

1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of PCCW Limited (the "Company") and its subsidiaries (collectively the "Group") has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Accounting Standard ("HKAS") 34 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2012.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue on August 6, 2013.

The unaudited condensed consolidated interim financial information has been reviewed by the Company's Audit Committee and, 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, by the Company's independent auditor.

The preparation of the unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In preparing this unaudited condensed consolidated interim 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 that applied to the consolidated financial statements for the year ended December 31, 2012, with the exception of changes in estimates that are required in determining the useful lives of certain property, plant and equipment. During the six months ended June 30, 2013, the Group performed a review to reassess the useful lives of certain exchange equipment and transmission plant of the Group, based on the current expectations of the Group's operational management and technological trends. The reassessment has resulted in a change in the estimated useful lives of these assets. The Group considers this to be a change in accounting estimate and has therefore accounted for the changes prospectively from January 1, 2013. As a result of this change in accounting estimate, the Group's profit for the six months ended June 30, 2013 has increased by HK$43 million and the net assets as at June 30, 2013 have increased by HK$43 million.

The accounting policies 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, 2012, except for the adoption of the following new, revised or amended Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations ("Ints") (collectively "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2013 as described below.

– HKAS 19 (2011), 'Employee Benefits'. HKAS 19 (2011) amends the accounting for employment benefits. The Group has adopted this standard retrospectively in accordance with the transition provisions of the standard and the effect of adoption is summarized as below:

  – The standard requires past service cost to be recognized immediately in the income statement. This did not result in any adjustment to the Group's results and financial position.

  – The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit liability and the discount rate, measured at the beginning of the year. There is no change to the computation of the discount rate; this continues to reflect the yield on long-term government bonds. The adoption of this change did not result in an adjustment to the consolidated income statement for the six months ended June 30, 2012 and HK$2 million was recognized as staff costs in the consolidated income statement for the year ended December 31, 2012.

1 BASIS OF PREPARATION *(CONTINUED)*

  - The standard introduces a new term "remeasurements" and is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The "remeasurements" effects did not result in an adjustment to the comprehensive income for the six months ended June 30, 2012 and HK$44 million was recognized as other comprehensive loss for the year ended December 31, 2012.

  - "Defined benefit liability" as previously reported has been restated at the reporting dates to reflect the effect of the above. Amounts have been restated as at January 1, 2012 as HK$136 million (previously HK$3 million); June 30, 2012 as HK$136 million (previously HK$3 million); December 31, 2012 as HK$182 million (previously HK$3 million).

  - The change in accounting policy did not result in any adjustments to the condensed consolidated statement of cash flows and basic and diluted earnings per share for the six months ended June 30, 2012.

- Amendment to HKAS 1, 'Presentation of Financial Statements' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). Since the change in accounting standard only impacts on presentation aspects of the financial statements, there is no impact on earnings per share. The unaudited condensed consolidated interim financial information has been prepared under the revised disclosure requirements.

- Amendment to HKFRS 7, 'Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities', requires new disclosure requirements which focus on quantitative information about recognized financial instruments that are offset in the balance sheet, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The Group will make additional relevant disclosures in its annual consolidated financial statements for the year ending December 31, 2013.

- HKFRS 12, 'Disclosures of Interests in Other Entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group will make additional relevant disclosures in its annual consolidated financial statements for the year ending December 31, 2013.

- HKFRS 13, 'Fair Value Measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned with other HKFRSs, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group will make additional relevant disclosures in its annual consolidated financial statements for the year ending December 31, 2013 and has included the disclosures required by HKAS 34, 'Interim Financial Reporting' in note 17 of this unaudited condensed consolidated interim financial information.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2013, but have no material effect on the Group's results and financial position for the current and prior periods.

- HKAS 27 (2011), 'Separate Financial Statements'.
- HKAS 28 (2011), 'Investments in Associates and Joint Ventures'.
- HKFRS 1 (Revised) (Amendment), Accounting for Government Loans.
- HKFRS 10, 'Consolidated Financial Statements'.
- HKFRS 11, 'Joint Arrangements'.
- HK(IFRIC) – Int 20, 'Stripping Costs in the Production Phase of a Surface Mine'.
- Annual Improvements 2009-2011 Cycle published in June 2012 by HKICPA.

The Group has not adopted any new HKFRSs that are not yet effective for the current accounting period.

2 SEGMENT INFORMATION

The chief operating decision-maker (the "CODM") is the Group's senior executive management. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources and the segment information is reported below in accordance with this internal reporting.

The CODM considers the business from both product and geographic perspectives. From a product perspective, management assesses the performance of the following segments:

– HKT Limited ("HKT") is Hong Kong's premier telecommunications service provider. It provides a range of services including local telephony, local data and broadband, international telecommunications, mobile and other telecommunications businesses such as customer premises equipment sale, outsourcing, consulting and contact centers. It operates primarily in Hong Kong and maintains a presence in mainland China as well as other parts of the world.

– Media Business includes interactive pay-TV service, Internet portal multimedia entertainment platform and the Group's directories operations in Hong Kong and mainland China.

– Solutions Business offers Information and Communications Technologies services and solutions in Hong Kong and mainland China.

– Pacific Century Premium Developments Limited ("PCPD") covers the Group's property portfolio in Hong Kong and mainland China, including the Cyberport development in Hong Kong, and elsewhere in the Asia Pacific region.

– Other Businesses include the Group's wireless broadband business in the United Kingdom and all corporate support functions.

The CODM assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortization ("EBITDA"). The EBITDA represents earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortization of land lease premium and intangible assets, gain/loss on disposal of property, plant and equipment, investment properties, interests in leasehold land and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures.

Segment revenue, expense and segment performance include transactions between segments. Inter-segment pricing is based on similar terms to those available to external parties for similar services. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated income statement.

2 SEGMENT INFORMATION *(CONTINUED)*

Information regarding the Group's reportable segments as provided to the Group's CODM is set out below:

In HK$ million	For the six months ended June 30, 2012 (Unaudited)						
	HKT	Media Business	Solutions Business	Other Businesses	PCPD	Eliminations	Consolidated
REVENUE							
External revenue	9,425	779	821	38	843	–	11,906
Inter-segment revenue *(note a)*	290	483	307	–	5	(1,085)	–
Total revenue	9,715	1,262	1,128	38	848	(1,085)	11,906
RESULTS							
EBITDA	3,736	217	168	(312)	166	(139)	3,836

In HK$ million	**For the six months ended June 30, 2013 (Unaudited)**						
	HKT	**Media Business**	**Solutions Business**	**Other Businesses**	**PCPD**	**Eliminations**	**Consolidated**
REVENUE							
External revenue	**10,886**	**821**	**1,088**	**28**	**491**	**–**	**13,314**
Inter-segment revenue *(note a)*	**185**	**478**	**305**	**–**	**8**	**(976)**	**–**
Total revenue	**11,071**	**1,299**	**1,393**	**28**	**499**	**(976)**	**13,314**
RESULTS							
EBITDA	**3,839**	**223**	**217**	**(268)**	**10**	**(75)**	**3,946**

a. The inter-segment revenue included certain sales by respective business segment to external customers through the other segment's billing platform.

2 SEGMENT INFORMATION *(CONTINUED)*

A reconciliation of total segment EBITDA to profit before income tax is provided as follows:

In HK$ million	Six months ended June 30, 2012 (Unaudited)	Six months ended June 30, 2013 (Unaudited)
Total segment EBITDA	3,836	**3,946**
(Loss)/Gain on disposal of property, plant and equipment, net	(3)	**5**
Depreciation and amortization	(2,134)	**(2,266)**
Other gains, net	12	**196**
Interest income	27	**37**
Finance costs	(469)	**(595)**
Share of results of associates and joint ventures	(43)	**32**
Profit before income tax	1,226	**1,355**

3 OTHER GAINS, NET

In HK$ million	Six months ended June 30, 2012 (Unaudited)	Six months ended June 30, 2013 (Unaudited)
Fair value gains on investment properties	–	**230**
Net gain on cash flow hedging instruments transferred from equity	6	**7**
Net gain on fair value hedging instruments	–	**17**
Recovery of impairment loss on an interest in a joint venture	–	**22**
Provision for impairment of investment	–	**(78)**
Others	6	**(2)**
	12	**196**

4 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after crediting and charging the following:

In HK$ million	Six months ended June 30, 2012 (Unaudited)	Six months ended June 30, 2013 (Unaudited)
Crediting:		
Revenue from properties sold	636	**283**
Charging:		
Cost of inventories sold	905	**949**
Cost of properties sold	436	**220**
Cost of sales, excluding inventories and properties sold	3,940	**5,174**
Depreciation of property, plant and equipment	1,228	**1,169**
Amortization of intangible assets	895	**1,085**
Amortization of land lease premium – interests in leasehold land	11	**12**
Finance costs on borrowings	432	**558**
Staff costs	1,277	**1,350**

5 INCOME TAX

In HK$ million	Six months ended June 30, 2012 (Unaudited)	June 30, 2013 (Unaudited)
Current income tax:		
Hong Kong profits tax	275	**294**
Overseas tax	37	**12**
Movement of deferred income tax	(363)	**(396)**
	(51)	**(90)**

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the period. Overseas tax has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

6 DIVIDENDS

a. Dividend attributable to the interim period

In HK$ million	Six months ended June 30, 2012 (Unaudited)	June 30, 2013 (Unaudited)
Interim dividend declared after the interim period of 6.35 HK cents (2012: 5.51 HK cents) per ordinary share	401	**462**

At a meeting held on August 6, 2013, the directors declared an interim dividend of 6.35 HK cents per ordinary share for the year ending December 31, 2013. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information.

b. Dividends approved and paid during the interim period

In HK$ million	Six months ended June 30, 2012 (Unaudited)	June 30, 2013 (Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period of 13.55 HK cents (2012: 10.60 HK cents) per ordinary share	771	**985**

6 DIVIDENDS *(CONTINUED)*

c. Special dividend by way of distributions in specie

During the year ended December 31, 2011, the Company declared a conditional special dividend to be satisfied by way of two distributions in specie of Share Stapled Units representing an aggregate of approximately 5% of the Share Stapled Units in issue immediately following the completion of the global offering of the Share Stapled Units ("Distributions in Specie"). The Distributions in Specie became unconditional upon the listing of the Share Stapled Units on the Main Board of the Stock Exchange on November 29, 2011. Accordingly, the estimated dividend payable of approximately HK$1,443 million was recorded, which was measured at the fair value of approximately 5% of the Share Stapled Units to be distributed on the date when the Distributions in Specie became unconditional.

During the six months ended June 30, 2012, the Company settled the Distributions in Specie on the basis of 1 Share Stapled Unit for every integral multiple of 46 ordinary shares of the Company in March 2012 and May 2012, respectively. A total of 316,160,960 Share Stapled Units with an aggregate market value as at the respective dates of the Distributions in Specie of HK$1,839 million were distributed to the eligible shareholders of the Company accordingly.

7 EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the following data:

	Six months ended	
	June 30, 2012 (Unaudited)	**June 30, 2013 (Unaudited)**
Earnings (in HK$ million)		
Earnings for the purposes of basic and diluted earnings per share	836	**856**
Number of shares		
Weighted average number of ordinary shares	7,272,294,654	**7,272,294,654**
Effect of PCCW Shares purchased from the market under the Company's share award schemes	(6,616,103)	**(15,464,612)**
Effect of PCCW Shares vested under the Company's share award schemes	–	**854,016**
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,265,678,551	**7,257,684,058**
Effect of PCCW Shares awarded under the Company's share award schemes	–	**5,328,782**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,265,678,551	**7,263,012,840**

8 TRADE RECEIVABLES, NET

The aging of trade receivables is set out below:

In HK$ million	As at December 31, 2012 (Audited)	As at **June 30, 2013 (Unaudited)**
0–30 days	2,028	**1,823**
31–60 days	600	**545**
61–90 days	332	**326**
91–120 days	162	**236**
Over 120 days	1,160	**1,290**
	4,282	**4,220**
Less: Impairment loss for doubtful debts	(241)	**(245)**
	4,041	**3,975**

Included in trade receivables, net of the Group were the amounts due from related parties of HK$175 million and HK$41 million as at June 30, 2013 and December 31, 2012 respectively.

Trade receivables in respect of properties sold are payable by the purchasers pursuant to the terms of the sales contracts. Other trade receivables have a normal credit period ranging up to 30 days from the date of invoice unless there is a separate mutual agreement on extension of the credit period. The Group maintains a well-defined credit policy and individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors who have overdue payable are requested to settle all outstanding balances before any further credit is granted.

9 TRADE PAYABLES

The aging of trade payables is set out below:

In HK$ million	As at December 31, 2012 (Audited)	As at **June 30, 2013 (Unaudited)**
0–30 days	837	**824**
31–60 days	311	**243**
61–90 days	85	**139**
91–120 days	137	**141**
Over 120 days	1,010	**931**
	2,380	**2,278**

Included in trade payables of the Group were the amounts due to related parties of HK$84 million and HK$63 million as at June 30, 2013 and December 31, 2012 respectively.

10 LONG-TERM BORROWINGS

On April 17, 2012, PCCW Capital No. 4 Limited, a direct wholly-owned subsidiary of the Company, issued US$300 million 5.75% guaranteed notes due 2022, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of the Company. The carrying amount of the notes was HK$2,282 million as at December 31, 2012 and HK$2,103 million as at June 30, 2013.

On March 8, 2013, PCCW-HKT Capital No.5 Limited, an indirect non-wholly owned subsidiary of the Company, issued US$500 million 3.75% guaranteed notes due 2023, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by two indirect non-wholly owned subsidiaries of the Company, HKT Group Holdings Limited ("HKTGH") and Hong Kong Telecommunications (HKT) Limited ("HKTL"). The notes rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL. The carrying amount of the notes was HK$3,466 million as at June 30, 2013.

11 SHARE CAPITAL

	Number of shares (Unaudited)	Nominal value (Unaudited) HK$ million
Authorized:		
Ordinary shares of HK$0.25 each	**10,000,000,000**	**2,500**
Issued and fully paid:		
Ordinary shares of HK$0.25 each		
Balances as at January 1, 2013 and June 30, 2013	**7,272,294,654**	**1,818**

12 SHARE AWARD SCHEMES OF THE COMPANY AND SHARE STAPLED UNITS AWARD SCHEMES OF HKT

Pursuant to the share incentive award schemes of the Company, namely the Purchase Scheme and the Subscription Scheme (collectively the "PCCW Share Award Schemes") and the award schemes of HKT namely the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme (collectively the "HKT Share Stapled Units Award Schemes"), the Company and HKT have awarded a number of PCCW Shares and Share Stapled Units to eligible employees of the Company and/or its subsidiaries during the six months ended June 30, 2013.

A summary of movements in the PCCW Shares and the Share Stapled Units held under the PCCW Share Award Schemes and the HKT Share Stapled Units Award Schemes are as follows:

	Six months ended June 30, 2012	
	Number of PCCW Shares (Unaudited)	Number of Share Stapled Units (Unaudited)
As at January 1, 2012	2,519,109	–
Purchase from the market by the trustee at average market price of HK$2.95 per PCCW Share/HK$6.07 per Share Stapled Unit	8,506,470	1,158,000
Share Stapled Units obtained from subscription at the global offering of the Share Stapled Units	–	71,974
Share Stapled Units obtained from Distributions in Specie	–	109,526
As at June 30, 2012	11,025,579	1,339,500

12 SHARE AWARD SCHEMES OF THE COMPANY AND SHARE STAPLED UNITS AWARD SCHEMES OF HKT *(CONTINUED)*

	Six months ended June 30, 2013	
	Number of PCCW Shares (Unaudited)	Number of Share Stapled Units (Unaudited)
As at January 1, 2013	**11,713,109**	**1,339,500**
Purchase from the market by the trustee at average market price of HK$3.84 per PCCW Share/HK$7.99 per Share Stapled Unit	**9,566,000**	**2,549,000**
PCCW Shares/Share Stapled Units vested	**(2,245,285)**	**(534,203)**
As at June 30, 2013	**19,033,824**	**3,354,297**

The average fair values of the PCCW Shares and the Share Stapled Units awarded during the six months ended June 30, 2013 at the dates of award are HK$3.64 (2012: HK$2.88) per PCCW Share and HK$7.59 (2012: HK$5.98) per Share Stapled Unit respectively, which are measured by the quoted market price of the PCCW Shares and the Share Stapled Units at the respective award dates.

13 CAPITAL COMMITMENTS

In HK$ million	As at	
	December 31, 2012 (Audited)	**June 30, 2013 (Unaudited)**
Authorized and contracted for	1,728	**1,525**
Authorized but not contracted for	790	**2,665**
	2,518	**4,190**

14 CONTINGENT LIABILITIES

In HK$ million	As at	
	December 31, 2012 (Audited)	**June 30, 2013 (Unaudited)**
Performance guarantee	477	**518**
Others	91	**95**
	568	**613**

The Group is subject to certain corporate guarantee obligations to guarantee performance of its subsidiaries in the normal course of their businesses. The amount of liabilities arising from such obligations, if any, cannot be ascertained but the directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.

15 CHARGE ON ASSETS

Security pledged for certain bank loan facilities includes:

In HK$ million	As at December 31, 2012 (Audited)	As at June 30, 2013 (Unaudited)
Property, plant and equipment	42	**41**
Investment properties	5,777	**6,108**
Short-term deposits	–	**5**
Restricted cash	–	**10**
	5,819	**6,164**

16 RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with related parties:

In HK$ million	Note	Six months ended June 30, 2012 (Unaudited)	Six months ended June 30, 2013 (Unaudited)
Telecommunications service fees, facility management service charges and interest income received or receivable from joint ventures	a	39	**26**
System integration service charges, consultancy service charges and interest income received or receivable from associates	a	–	**15**
Telecommunications service fees and systems integration service charges received or receivable from a substantial shareholder	a	100	**143**
Telecommunications service fees and rental charges paid or payable to joint ventures	a	115	**170**
Telecommunications service fees and facility management service charges paid or payable to a substantial shareholder	a	67	**78**
Consideration paid or payable for the purchase of equipment from an associate	a	–	**13**
Key management compensation	b	30	**47**

a. These transactions were carried out after negotiations between the Group and the related parties in the ordinary course of business and on the basis of estimated market value as determined by the directors. In respect of transactions for which the price or volume has not yet been agreed with the relevant related parties, the directors have determined the relevant amounts based on their best estimation.

b. Details of key management compensation

In HK$ million	Six months ended June 30, 2012 (Unaudited)	Six months ended June 30, 2013 (Unaudited)
Salaries, share-based compensation and other short-term employee benefits	29	**46**
Post-employment benefits	1	**1**
	30	**47**

17 FINANCIAL INSTRUMENTS

a. Financial risk factors

Exposures to credit, liquidity, and market risks (including foreign currency risk and interest rate risk) arise in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. Exposures to these risks are controlled by the Group's financial management policies and practices.

The unaudited condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements; it should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2012. There have been no changes in any financial management policies and practices since December 31, 2012.

b. Estimation of fair values

The tables below analyze 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).

The following table presents the Group's financial instruments that are measured at fair value at December 31, 2012:

In HK$ million	As at December 31, 2012 (Audited)			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
– Listed equity securities	98	–	–	98
– Unlisted equity securities	–	–	587	587
Derivative financial instruments (non-current)	–	253	–	253
Derivative financial instruments (current)	–	4	–	4
Total assets	98	257	587	942
Liabilities				
Derivative financial instruments (non-current)	–	(56)	–	(56)

17 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Estimation of fair values *(continued)*

The following table presents the Group's financial instruments that are measured at fair value at June 30, 2013:

In HK$ million	As at June 30, 2013 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale financial assets				
– Listed equity securities	**107**	**–**	**–**	**107**
– Unlisted equity securities	**–**	**–**	**434**	**434**
Derivative financial instruments (non-current)	**–**	**74**	**–**	**74**
Financial assets at fair value through profit or loss	**1**	**–**	**–**	**1**
Total assets	**108**	**74**	**434**	**616**
Liabilities				
Derivative financial instruments (non-current)	**–**	**(557)**	**–**	**(557)**
Derivative financial instruments (current)	**–**	**(8)**	**–**	**(8)**
Total liabilities	**–**	**(565)**	**–**	**(565)**

The fair values of financial instruments traded in active markets are based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group included in level 1 is the current bid price. Instruments included in level 1 comprise primarily available-for-sale financial assets listed on the Alternative Investment Market operated by London Stock Exchange plc.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques and making assumptions that are based on market conditions existing at the end of each reporting period. Instruments included in level 2 comprise cross currency swap contracts. In measuring the swap transactions, the fair value is the net present value of the estimated future cash flows discounted at the market quoted swap rates.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Instruments included in level 3 comprise available-for-sale financial assets.

For unlisted securities or financial assets without an active market, the Group establishes fair value by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs. If none of the valuation techniques results in a reasonable estimate on the fair value, the investment is stated in the balance sheet at cost less impairment losses.

There were no significant transfers of financial assets and liabilities between fair value hierarchy classifications during the six months ended June 30, 2013.

17 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Estimation of fair values *(continued)*

The following table presents the changes in level 3 instruments during the six months ended June 30, 2013:

In HK$ million	**Available-for-sale financial assets – unlisted equity securities As at June 30, 2013 (Unaudited)**
At January 1, 2013	**587**
Additions	**37**
Return of investments	**(114)**
Unrealized fair value gains transferred to other comprehensive income	**1**
Impairment loss recognized	**(77)**
At June 30, 2013	**434**

During the six months ended June 30, 2013, provision for impairment of HK$77 million (2012: nil) was included in other gains, net in the consolidated income statement and there was a transfer of HK$1 million (2012: nil) from equity to the consolidated income statement on impairment.

There were no changes in valuation techniques during the six months ended June 30, 2013.

c. Group's valuation process

The Group's finance department includes a team that performs the valuations of financial assets required for financial reporting purposes, including level 3 fair values. Valuation results are reviewed by senior management semi-annually, in line with the Group's reporting dates.

The main level 3 input used by the Group pertains to the use of recent arm's length transactions, reference to portfolio statement, and reference to other listed instruments that are substantially the same, adjusted for the marketability discount on the Group's investments. The higher the marketability discount, the lower the fair value.

17 FINANCIAL INSTRUMENTS *(CONTINUED)*

d. Fair values of financial assets and liabilities measured at amortized cost

All financial instruments are carried at amounts not materially different from their fair values as at June 30, 2013 and December 31, 2012 except as follows, with fair value calculated by quoted prices:

In HK$ million	As at December 31, 2012 (Audited)		**As at June 30, 2013 (Unaudited)**	
	Carrying amount	Fair value	**Carrying amount**	**Fair value**
Short-term borrowings	(8,540)	(8,635)	**(3,959)**	**(3,965)**
Long-term borrowings	(17,926)	(18,661)	**(26,598)**	**(27,216)**

18 BUSINESS COMBINATION

a. Acquisition of Compass Solutions Holdings Limited and its subsidiaries (together the "Compass Group")

On May 2, 2013, the Group completed the acquisition of 100% of the share capital of Compass Solutions Holdings Limited, a company incorporated in the British Virgin Islands, and its subsidiaries. The purpose of the acquisition is to expand the Group's system integration business. The businesses of the acquired companies cover system implementation and integration, sales of license, provision of maintenance services and training. The Group made an initial payment for acquisition totaling approximately HK$65 million in cash and may have to make additional payments totaling up to approximately HK$12 million in cash if the businesses of the acquired companies achieve certain financial milestones within a specified period. The fair value of this contingent consideration is estimated at approximately HK$12 million and has been included in the purchase price of the Compass Group.

The Group is required to recognize the acquired companies' identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date. As of the date of this unaudited condensed consolidated interim financial information, the purchase price allocation process is ongoing and has yet to be finalized. In the preparation of this unaudited condensed consolidated interim financial information, the Group has used the estimated fair values of the acquired assets and liabilities with the excess of the cost of acquisition over these estimated fair values being recorded as goodwill. This allocation of the purchase price to the acquired assets and liabilities is provisional and will be adjusted when the purchase price allocation is finalized. Had the purchase price allocation been completed, the fair values of the assets and liabilities acquired and the amount of goodwill to be recorded could be materially different from the amounts recognized. The values of assets and liabilities acquired and the resulting goodwill will be adjusted retrospectively upon the completion of the purchase price allocation.

i. Details of net assets acquired and goodwill in respect of the acquisition of the Compass Group at the acquisition date were as follows:

In HK$ million	**Net assets acquired and goodwill (Unaudited)**
Purchase consideration settled in cash	**65**
Contingent consideration payable	**12**
Purchase consideration	**77**
Less: Estimated fair value of net assets acquired	**(1)**
Goodwill on acquisition	**76**

The goodwill is attributable to the expected future profits generated from the system integration business.

None of the goodwill is expected to be deductible for tax purpose.

18 BUSINESS COMBINATION *(CONTINUED)*

a. Acquisition of Compass Solutions Holdings Limited and its subsidiaries (together the "Compass Group") *(continued)*

i. Details of net assets acquired and goodwill in respect of the acquisition of the Compass Group at the acquisition date were as follows: *(continued)*

The assets and liabilities of the Compass Group at the acquisition date were as follows:

In HK$ million	**Estimated fair value (Unaudited)**
Property, plant and equipment	**1**
Financial assets at fair value through profit or loss	**1**
Trade receivables, prepayments, deposits and other current assets	**29**
Cash and cash equivalents	**16**
Short-term borrowings	**(1)**
Trade payables, accruals, other payables and advances from customers	**(40)**
Current income tax liabilities	**(5)**
Net assets acquired	**1**

In HK$ million	**Net cash outflow (Unaudited)**
Purchase consideration settled in cash	**(65)**
Cash and cash equivalents of the Compass Group acquired	**16**
	(49)

ii. Acquisition-related costs

Acquisition-related costs of approximately HK$1 million are included in the consolidated income statement for the six months ended June 30, 2013.

iii. Revenue and profit contribution

The businesses of the acquired companies contributed revenue of approximately HK$22 million and net profit of approximately HK$2 million to the Group for the period from the date of acquisition to June 30, 2013. If the acquisition had occurred on January 1, 2013, the acquired companies' revenue and net loss for the period would have been approximately HK$63 million and approximately HK$5 million, respectively.

b. Business combinations during the six months ended June 30, 2012

There was no business combination transaction occurred for the six months ended June 30, 2012.

19 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In HK$ million	Six months ended June 30, 2012 (Unaudited)	**June 30, 2013 (Unaudited)**
Consideration paid to acquire non-controlling interests	1,557	–
Less: Carrying amount of non-controlling interests acquired	(2,304)	–
Excess of non-controlling interests acquired over consideration paid recognized within equity	(747)	–

a. There was no transaction with non-controlling interests occurred during the six months ended June 30, 2013.

b. Increase in interests in PCPD

During the six months ended June 30, 2012, PCPD repurchased 824,684,851 of its shares at HK$1.85 each with a total consideration of approximately HK$1,526 million in cash.

The repurchases by PCPD of its shares constituted a deemed acquisition of an additional approximately 32.1% interest in PCPD by the Group from approximately 61.5% to approximately 93.6% for a total net purchase consideration of approximately HK$1,552 million. The total carrying amount of the non-controlling interests acquired in PCPD on the dates of the share repurchases was approximately HK$2,300 million. The Group recognized an increase in equity attributable to the equity holders of the Company of approximately HK$748 million.

In order to maintain its public float, PCPD has offered a 4 for 1 bonus issue to its shareholders where shareholders can accept the bonus shares or elect for non-redeemable bonus convertible notes that are convertible at any time after the issue of such notes to the extent that the minimum public float requirements could be complied with immediately after such conversion with rights to dividends and other distributions similar to ordinary shares. After the completion of the share repurchase and bonus issue, the Group holds approximately 74.5% of the ordinary shares of PCPD and conversion rights to acquire a further approximately 19.1% of ordinary shares of PCPD. As the non-redeemable bonus convertible notes contain rights to dividends and can be converted at any time provided that the public float requirements could be complied with, PCCW consolidates the results of PCPD on its approximately 93.6% economic interest in accordance with HKFRSs.

c. Increase in interests in PCCW Teleservices (Philippines) Inc. and PCCW Teleservices (US), Inc.

During the six months ended June 30, 2012, the Group acquired an additional 30% and 15% respectively of the issued shares of two subsidiaries of IP BPO Holdings Pte. Ltd., PCCW Teleservices (Philippines) Inc. and PCCW Teleservices (US), Inc., for an aggregate purchase consideration of approximately HK$5 million. The aggregate carrying amount of the non-controlling interests in PCCW Teleservices (Philippines) Inc. and PCCW Teleservices (US), Inc. on the dates of acquisition was approximately HK$4 million. The Group recognized a decrease in equity attributable to the equity holders of the Company of approximately HK$1 million.

d. Distributions in Specie

During the six months ended June 30, 2012, the Company settled the Distributions in Specie (see note 6(c)).

20 POST BALANCE SHEET EVENT

As disclosed in the joint announcement of PCPD and the Company dated May 23, 2013 and the circular of PCPD dated June 25, 2013 in relation to the proposed acquisition of a plot of land for the development of a Grade A office building in Jakarta, Indonesia, the total consideration under the land sale and purchase agreement is US$184 million (equivalent to approximately HK$1,428 million) (subject to various downward adjustments in certain circumstances). A deposit of US$46 million (equivalent to approximately HK$357 million) was placed with an escrow agent and recognized under "Prepayments, deposits and other current assets" in the consolidated balance sheet as at June 30, 2013. The transaction was completed on July 24, 2013.

GENERAL INFORMATION

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

As at June 30, 2013, the directors and chief executives of the Company and their respective associates had the following interests and short positions in the shares, share stapled units jointly issued by the HKT Trust and HKT Limited (the "Share Stapled Units"), underlying shares, underlying Share Stapled Units and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

1. Interests in the Company

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

Name of Director/Chief Executive	Number of ordinary shares held: Personal interests	Family interests	Corporate interests	Other interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital
Li Tzar Kai, Richard	–	–	271,666,824 *(Note 1(a))*	1,740,004,335 *(Note 1(b))*	–	2,011,671,159	27.66%
Chan Ching Cheong, George	226,600	–	100,000 *(Note 2(a))*	7,547,000 *(Note 2(b))*	–	7,873,600	0.11%
Hui Hon Hing, Susanna	–	–	–	1,301,177 *(Note 3)*	–	1,301,177	0.02%
Lee Chi Hong, Robert	992,600 *(Note 4(a))*	511 *(Note 4(b))*	–	–	5,000,000 *(Note 5)*	5,993,111	0.08%
Sir David Ford	–	–	–	–	1,000,000 *(Note 5)*	1,000,000	0.01%
Tse Sze Wing, Edmund	–	340,000 *(Note 6)*	–	–	–	340,000	0.005%
Dr The Hon Sir David Li Kwok Po	1,000,000	–	–	–	–	1,000,000	0.01%

Notes:

1. (a) Of these shares, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), held 237,919,824 shares and Eisner Investments Limited ("Eisner") held 33,747,000 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 36,726,857 shares of the Company held by Yue Shun Limited ("Yue Shun"), a subsidiary of Hutchison Whampoa Limited ("HWL"). Cheung Kong (Holdings) Limited ("Cheung Kong") through certain subsidiaries held more than one-third of the issued share capital of HWL. Li Tzar Kai, Richard was a discretionary beneficiary of certain discretionary trusts which held units in unit trusts which in turn held interests in certain shares of Cheung Kong and HWL. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 36,726,857 shares of the Company held by Yue Shun;

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

1. Interests in the Company *(continued)*

Notes: *(continued)*

1. (b) *(continued)*

(ii) a deemed interest in 154,785,177 shares of the Company 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 154,785,177 shares of the Company held by PCGH;

(iii) a deemed interest in 1,548,211,301 shares of the Company 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 75.98% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Li Tzar Kai, Richard was also deemed to be interested in 0.91% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,548,211,301 shares of the Company held by PCRD; and

(iv) a deemed interest in 281,000 shares of the Company held by PineBridge Investments LLC ("PBI LLC") in the capacity of investment manager. PBI LLC was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 281,000 shares of the Company held by PBI LLC in the capacity of investment manager.

2. (a) These shares were held by Butternut Pacific Resources Limited ("Butternut"), which was 100% owned by Chan Ching Cheong, George.

(b) Chan Ching Cheong, George held these interests as at June 30, 2013, representing the share awards made to him which were subject to certain vesting conditions pursuant to a share award scheme of the Company, namely the Purchase Scheme, the details of which are set out in the section below headed "**Share Option Schemes and Share Award Schemes of the Company and its Subsidiaries**". Mr Chan's interest in respect of 1,384,000 shares of the Company subsequently became vested on July 8, 2013. Subsequent to June 30, 2013, an award in respect of 1,730,000 shares of the Company subject to certain vesting conditions was made to Chan Ching Cheong, George on July 5, 2013.

3. These interests represented awards made to Hui Hon Hing, Susanna which were subject to certain vesting conditions pursuant to an award scheme of the Company, namely the Purchase Scheme.

4. (a) These shares were held jointly by Lee Chi Hong, Robert and his spouse.

(b) These shares were held by the spouse of Lee Chi Hong, Robert.

5. These interests represented the interests in underlying shares of the Company in respect of share options granted by the Company to these directors as beneficial owners pursuant to the 1994 Scheme, a share option scheme of the Company, the details of which are set out in the section below headed "**Share Option Schemes and Share Award Schemes of the Company and its Subsidiaries**".

6. These shares were held by the spouse of Tse Sze Wing, Edmund.

2. Interests in the Associated Corporations of the Company

A. PCCW-HKT Capital No.2 Limited

PineBridge Investments Asia Limited ("PBIA") in the capacity of investment manager held US$10,000,000 of 6% guaranteed notes due 2013 (the "2013 Notes") issued by PCCW-HKT Capital No.2 Limited, an associated corporation of the Company. PBIA was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the amount of US$10,000,000 of the 2013 Notes held by PBIA in the capacity of investment manager. Subsequent to June 30, 2013, the 2013 Notes were matured on July 15, 2013.

B. PCCW-HKT Capital No.4 Limited

ING Life Insurance Company (Bermuda) Limited ("ING") held US$9,000,000 of 4.25% guaranteed notes due 2016 issued by PCCW-HKT Capital No.4 Limited, an associated corporation of the Company. Li Tzar Kai, Richard indirectly owned 100% of the issued share capital of ING.

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

2. Interests in the Associated Corporations of the Company *(continued)*

C. HKT Trust and HKT Limited

The table below sets out the aggregate long positions in the Share Stapled Units held by the directors and chief executives of the Company:

Name of Director/Chief Executive	Number of Share Stapled Units held: Personal interests	Number of Share Stapled Units held: Family interests	Number of Share Stapled Units held: Corporate interests	Number of Share Stapled Units held: Other interests	Number of underlying Share Stapled Units held under equity derivatives	Total	Approximate percentage of issued Share Stapled Units
Li Tzar Kai, Richard	–	–	177,552,046 *(Note 1(a))*	125,358,732 *(Note 1(b))*	–	302,910,778	4.72%
Chan Ching Cheong, George	16,326	–	7,205 *(Note 2(a))*	150,478 *(Note 2(b))*	–	174,009	0.003%
Hui Hon Hing, Susanna	–	–	–	330,374 *(Note 3)*	–	330,374	0.01%
Lee Chi Hong, Robert	43,156 *(Note 4(a))*	22 *(Note 4(b))*	–	–	–	43,178	0.0007%
Tse Sze Wing, Edmund	–	208,499 *(Note 5)*	–	–	–	208,499	0.003%
Dr The Hon Sir David Li Kwok Po	143,477	–	–	–	–	143,477	0.002%

Each Share Stapled Unit confers an interest in:

(a) one voting ordinary share of HK$0.0005 in HKT Limited ("HKT"); and
(b) one voting preference share of HK$0.0005 in HKT,

for the purposes of Part XV of the SFO, in addition to an interest in one unit in the HKT Trust.

Under the trust deed dated November 7, 2011 constituting the HKT Trust entered into between HKT Management Limited (in its capacity as the trustee-manager of the HKT Trust) and HKT as supplemented, amended or substituted from time to time and the amended and restated articles of association of HKT, the number of ordinary shares and preference shares of HKT in issue must be the same at all times and must also, in each case, be equal to the number of units of the HKT Trust in issue; and each of them is equal to the number of Share Stapled Units in issue.

Notes:

1. (a) Of these Share Stapled Units, PCD held 17,142,046 Share Stapled Units, Eisner held 39,000,000 Share Stapled Units and ING held 121,410,000 Share Stapled Units.

   (b) These interests represented:

   (i) a deemed interest in 2,646,156 Share Stapled Units held by Yue Shun. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 2,646,156 Share Stapled Units held by Yue Shun;

   (ii) a deemed interest in 11,152,220 Share Stapled Units held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 11,152,220 Share Stapled Units held by PCGH;

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

2. Interests in the Associated Corporations of the Company *(continued)*

C. HKT Trust and HKT Limited *(continued)*

Notes: *(continued)*

1. (b) *(continued)*

   (iii) a deemed interest in 111,548,140 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 111,548,140 Share Stapled Units held by PCRD; and

   (iv) a deemed interest in 12,216 Share Stapled Units held by PBI LLC in the capacity of investment manager. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 12,216 Share Stapled Units held by PBI LLC in the capacity of investment manager.

2. (a) These Share Stapled Units were held by Butternut.

   (b) These interests represented a contingent interest in respect of 150,478 Share Stapled Units held on trust for Chan Ching Cheong, George pursuant to a share award scheme of the Company, namely the Purchase Scheme, which were subject to certain vesting conditions, of which his contingent interest in respect of 30,087 Share Stapled Units subsequently became vested on July 8, 2013.

3. These interests represented an award made to Hui Hon Hing, Susanna which was subject to certain vesting conditions pursuant to an award scheme of HKT, namely the HKT Share Stapled Units Purchase Scheme, the details of which are set out in the section below headed "**Share Option Schemes and Share Award Schemes of the Company and its Subsidiaries**".

4. (a) These Share Stapled Units were held jointly by Lee Chi Hong, Robert and his spouse.

   (b) These Share Stapled Units were held by the spouse of Lee Chi Hong, Robert.

5. These Share Stapled Units were held by the spouse of Tse Sze Wing, Edmund.

Save as disclosed in the foregoing, as at June 30, 2013, none of the directors or chief executives of the Company or their respective associates had any interests or short positions in any shares, Share Stapled Units, underlying shares, underlying Share Stapled Units and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEMES OF THE COMPANY AND ITS SUBSIDIARIES

1. The Company

A. Share Option Schemes

The Company adopted a share option scheme on September 20, 1994 (the "1994 Scheme"). At the annual general meeting of the Company held on May 19, 2004, the shareholders of the Company approved the termination of the 1994 Scheme and adoption of a new share option scheme (the "2004 Scheme"). Following the termination of the 1994 Scheme in 2004, no further share options will be granted under such scheme, but in all other respects the provisions of such scheme will remain in full force and effect. Since May 19, 2004, the board of directors of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares of the Company subject to the terms and conditions stipulated in the 2004 Scheme.

Details of the share options outstanding and movements during the six months ended June 30, 2013 are as follows:

(i) 1994 Scheme

(1) Outstanding options as at January 1, 2013 and as at June 30, 2013

Name or category of participant	Date of grant *(Note 1)*	Vesting period *(Note 1)*	Exercise period *(Note 1)*	Exercise price HK$	Number of options Outstanding as at 01.01.2013	Outstanding as at 06.30.2013
Director/Chief Executive						
Lee Chi Hong, Robert	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	5,000,000	5,000,000 *(Note 2)*
Sir David Ford	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	1,000,000	1,000,000 *(Note 2)*
Employees						
In aggregate	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	32,965,538	32,516,538 *(Note 2)*
Others	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	1,000,000	1,000,000 *(Note 2)*

Notes:

1. All dates are shown month/day/year.
2. Subsequent to June 30, 2013, these share options lapsed on July 24, 2013.

(2) Options exercised during the six months ended June 30, 2013

During the period under review, no share options were exercised by any directors or chief executives of the Company, employees of the Company and its subsidiaries (the "Group") or other participants.

(3) Options cancelled or lapsed during the six months ended June 30, 2013

Name or category of participant	Exercise price HK$	Number of options cancelled	Number of options lapsed
Employees			
In aggregate	4.3500	–	449,000

SHARE OPTION SCHEMES AND SHARE AWARD SCHEMES OF THE COMPANY AND ITS SUBSIDIARIES *(CONTINUED)*

1. The Company *(continued)*

A. Share Option Schemes *(continued)*

(ii) 2004 Scheme

There were no outstanding share options as at January 1, 2013 and June 30, 2013. No share options were granted to or exercised by any directors or chief executives of the Company or employees of the Group or other participants nor cancelled or lapsed during the six months ended June 30, 2013.

B. Share Award Schemes

In 2002, the Company established two employee share incentive award schemes, namely the Purchase Scheme and the Subscription Scheme, under which employees of participating subsidiaries of the Company (excluding directors of the Company) may be selected to participate in such schemes. Subject to the relevant scheme rules, each scheme provides that following the making of an award to an employee, the relevant shares are held in trust for that employee and then shall vest over a period of time provided that the employee remains an employee of the applicable subsidiary of the Company at the relevant time and satisfies any other conditions specified at the time the award is made, notwithstanding that the relevant committee of the Company's board of directors shall be at liberty to waive such condition. In May 2006, the rules of the Purchase Scheme were altered such that the directors of the Company were also eligible to participate in such scheme. The Purchase Scheme and the Subscription Scheme expired on November 15, 2012 however the shares which were previously awarded prior to the expiry date were not affected. New scheme rules in respect of the Purchase Scheme and the Subscription Scheme were adopted on November 15, 2012 so as to allow both schemes to continue to operate for a further 10 years and to accommodate the grant of the Share Stapled Units in addition or as an alternative to the shares of the Company, in the future.

During the six months ended June 30, 2013, an aggregate of 9,045,218 shares of the Company and 17,450 Share Stapled Units subject to certain vesting conditions were granted pursuant to the Purchase Scheme, including awards in respect of 625,000 and 1,301,177 shares of the Company made respectively to Chan Ching Cheong, George and Hui Hon Hing, Susanna, who are directors of the Company. Additionally, 69,721 shares of the Company have lapsed and/or been forfeited, and no Share Stapled Units have lapsed and/or been forfeited. As at June 30, 2013, 18,375,330 shares of the Company and 17,450 Share Stapled Units granted pursuant to the Purchase Scheme remain unvested. During the six months ended June 30, 2013, no awards have been made to any employees of the Company and/or its subsidiaries under the Subscription Scheme. As at June 30, 2013, none of the shares granted pursuant to the Subscription Scheme remain unvested. Please also refer to the summary of movements in the shares of the Company and the Share Stapled Units held under the above schemes which are set out in note 12 to the unaudited condensed consolidated interim financial information.

2. HKT Trust and HKT Limited

A. Share Stapled Units Option Scheme

The HKT Trust and HKT Limited conditionally adopted on November 7, 2011 (the "Adoption Date") a Share Stapled Units option scheme (the "HKT 2011-2021 Option Scheme") which became effective upon listing of the Share Stapled Units. Under the HKT 2011-2021 Option Scheme, the board of directors of HKT Management Limited (the "Trustee-Manager Board") and the board of directors of HKT (the "HKT Board") may, at their discretion, grant Share Stapled Unit options to the eligible participants to subscribe for such number of Share Stapled Units as the Trustee-Manager Board and the HKT Board may determine at a subscription price on and subject to the terms and conditions stipulated therein.

No Share Stapled Unit options have been granted under the HKT 2011-2021 Option Scheme since the Adoption Date and up to and including June 30, 2013.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEMES OF THE COMPANY AND ITS SUBSIDIARIES *(CONTINUED)*

2. HKT Trust and HKT Limited *(continued)*

B. Share Stapled Units Award Schemes

On October 11, 2011, HKT conditionally adopted two award schemes pursuant to which awards of Share Stapled Units may be made, namely the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme (collectively the "HKT Share Stapled Units Award Schemes"). The HKT Share Stapled Units Award Schemes are on similar terms and were conditionally adopted by HKT and became effective upon listing of the Share Stapled Units as a potential means to incentivize and reward the eligible participants.

Subject to the rules of the HKT Share Stapled Units Award Schemes, each scheme provides that following the making of an award to an employee of HKT and its subsidiaries (collectively the "HKT Limited Group"), the relevant Share Stapled Units are held in trust for that employee and then shall vest over a period of time provided that the employee remains, at all times after the award date and on the relevant vesting date, an employee of the HKT Limited Group and satisfies any other conditions specified at the time the award is made, notwithstanding that the relevant committee of the HKT Board shall be at liberty to waive such condition.

During the six months ended June 30, 2013, an aggregate of 2,387,498 Share Stapled Units were granted subject to certain vesting conditions, pursuant to the HKT Share Stapled Units Purchase Scheme, including an award in respect of 330,374 Share Stapled Units made to Hui Hon Hing, Susanna, who is a director of the Company. Additionally, 8,193 Share Stapled Units have lapsed and/or been forfeited. As at June 30, 2013, 2,985,367 Share Stapled Units granted pursuant to the HKT Share Stapled Units Purchase Scheme remain unvested. No Share Stapled Units have been granted under the HKT Share Stapled Units Subscription Scheme since the date of its adoption and up to and including June 30, 2013. Please also refer to the summary of movements in the Share Stapled Units held under the above schemes which are set out in note 12 to the unaudited condensed consolidated interim financial information.

3. Pacific Century Premium Developments Limited ("PCPD")

Share Option Schemes

PCPD adopted a share option scheme on March 17, 2003 (the "2003 PCPD Scheme"), which was valid for 10 years after the date of adoption. In order to align the terms of the share option scheme of PCPD with those of the Company and in view of the limited number of shares capable of being issued under the 2003 PCPD Scheme relative to the current capital base of PCPD, the shareholders of PCPD approved the termination of the 2003 PCPD Scheme and the adoption of a new share option scheme (the "2005 PCPD Scheme") at PCPD's annual general meeting held on May 13, 2005. The 2005 PCPD Scheme became effective on May 23, 2005 following its approval by the shareholders of the Company. No further share options will be granted under the 2003 PCPD Scheme following its termination, but the provisions of such scheme will remain in full force and effect with respect to the options granted prior to its termination. The board of directors of PCPD may, at its discretion, grant share options to any eligible person to subscribe for shares of PCPD subject to the terms and conditions stipulated in the 2005 PCPD Scheme.

Details of the share options outstanding under the 2003 PCPD Scheme and movements during the six months ended June 30, 2013 are as follows:

2003 PCPD Scheme

(1) Outstanding options as at January 1, 2013 and as at June 30, 2013

Name or category of participant	Date of grant *(Note)*	Vesting period *(Note)*	Exercise period *(Note)*	Exercise price HK$	Number of options: Outstanding as at 01.01.2013	Outstanding as at 06.30.2013
Director of PCPD's subsidiary						
In aggregate	12.20.2004	Fully vested on 12.20.2004	12.20.2004 to 12.19.2014	2.375	5,000,000	5,000,000

Note:
All dates are shown month/day/year.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEMES OF THE COMPANY AND ITS SUBSIDIARIES *(CONTINUED)*

3. Pacific Century Premium Developments Limited ("PCPD") *(continued)*

2003 PCPD Scheme *(continued)*

(1) Outstanding options as at January 1, 2013 and as at June 30, 2013 *(continued)*

As at June 30, 2013, the total number of shares of PCPD that might be issued upon exercise of all the share options granted and yet to be exercised under the 2003 PCPD Scheme was 5,000,000 shares, which represented approximately 1.26% of the issued share capital of PCPD as at that date.

(2) Options granted during the six months ended June 30, 2013

During the period under review, no share options were granted to any directors or chief executives of the Company or other participants under the 2003 PCPD Scheme.

(3) Options exercised during the six months ended June 30, 2013

During the period under review, no share options were exercised by any directors or chief executives of the Company.

(4) Options cancelled or lapsed during the six months ended June 30, 2013

During the period under review, no share options were cancelled or lapsed.

2005 PCPD Scheme

No share options have been granted under the 2005 PCPD Scheme since its adoption.

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 or Share Stapled Units 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 OF SUBSTANTIAL SHAREHOLDERS

As at June 30, 2013, the following persons (other than any directors or chief executives of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) and had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of shareholder	*Note*	Number of shares/underlying shares held	Approximate percentage of issued share capital
Interests			
PCRD		1,548,211,301	21.29%
PCGH	*1*	1,702,996,478	23.42%
Star Ocean Ultimate Limited	*2*	1,702,996,478	23.42%
The Ocean Trust	*2*	1,702,996,478	23.42%
The Starlite Trust	*2*	1,702,996,478	23.42%
OS Holdings Limited	*2*	1,702,996,478	23.42%
Ocean Star Management Limited	*2*	1,702,996,478	23.42%
The Ocean Unit Trust	*2*	1,702,996,478	23.42%
The Starlite Unit Trust	*2*	1,702,996,478	23.42%
中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited#) ("Unicom")	*3*	1,343,571,766	18.48%

For identification only

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS *(CONTINUED)*

Notes:

1. These interests represented (i) PCGH's beneficial interests in 154,785,177 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 75.98% of the issued share capital of PCRD) in 1,548,211,301 shares held by PCRD.

2. 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.

3. Unicom indirectly held these interests through China Unicom Group Corporation (BVI) Limited, a company wholly-owned by Unicom.

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

As at June 30, 2013, the following person (not being a director or chief executive or substantial shareholder (as disclosed in the previous section headed "**Interests and Short Positions of Substantial Shareholders**") of the Company) had interests or short positions in the shares and underlying shares of the Company 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 issued share capital
Interests			
Ocean Star Investment Management Limited	*Note*	1,702,996,478	23.42%

Note:
Ocean Star Investment Management Limited was deemed interested under the SFO in the shares of the Company 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 of Substantial Shareholders**").

Save as disclosed above in this section and the previous section headed "**Interests and Short Positions of Substantial Shareholders**", the Company has not been notified of any other persons (other than any directors or chief executives of the Company) who had an interest or a short position in the shares, underlying shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO as at June 30, 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated interim financial information of the Group for the six months ended June 30, 2013. Such condensed consolidated interim financial information has not been audited but has been reviewed by the Company's independent auditor.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has established its own code of conduct regarding securities transactions by directors, senior management and relevant employees as defined in the PCCW Code of Conduct for Securities Transactions by Directors, Senior Management and Nominated Persons (the "PCCW Code") in terms no less exacting than the required standard indicated by the Model Code.

Having made specific inquiries of all directors of the Company, confirmations have been received of compliance with the required standard set out in the Model Code and the PCCW Code during the accounting period covered by this interim report.

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, 2013.

INVESTOR RELATIONS

DIRECTORS
The directors of the Company as at the date of the announcement of the 2013 Interim Results are:

Executive Directors:
Li Tzar Kai, Richard *(Chairman)*
Chan Ching Cheong, George *(Group Managing Director)*
Hui Hon Hing, Susanna *(Group Chief Financial Officer)*
Lee Chi Hong, Robert

Non-Executive Directors:
Sir David Ford, KBE, LVO
Tse Sze Wing, Edmund, GBS
Lu Yimin *(Deputy Chairman)*
Li Fushen
Li Gang
Wei Zhe, David

Independent Non-Executive Directors:
Dr The Hon Sir David Li Kwok Po, GBM, GBS, OBE, JP
Aman Mehta
Frances Waikwun Wong
Bryce Wayne Lee
Lars Eric Nils Rodert

GROUP COMPANY SECRETARY
Philana WY Poon

REGISTERED OFFICE
41st Floor, PCCW Tower
TaiKoo Place, 979 King's Road
Quarry Bay, Hong Kong
Telephone: +852 2888 2888
Fax: +852 2877 8877

INTERIM REPORT 2013
This Interim Report 2013 in both English and Chinese is now available in printed form from the Company and the Company's Share Registrar, and in accessible format on the websites of the Company (www.pccw.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Shareholders who:

A) received the Interim Report 2013 using electronic means through the website of the Company may request a printed copy, or
B) received the Interim Report 2013 in either English or Chinese may request a printed copy of the other language version

by writing or sending email to the Company c/o the Company's Share Registrar at:

Computershare Hong Kong Investor Services Limited
Investor Communications Centre
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Telephone: +852 2862 8688
Fax: +852 2529 6087
Email: pccw@computershare.com.hk

Shareholders who have chosen (or are deemed to have agreed) to receive the corporate communications of the Company (including but not limited to the Interim Report 2013) using electronic means through the Company's website and who, for any reason, have difficulty in receiving or gaining access to the Interim Report 2013 will promptly, upon request in writing or by email to the Company's Share Registrar, be sent the Interim Report 2013 in printed form, free of charge.

Shareholders may change their choice of language and/or means of receipt of the Company's future corporate communications at any time, free of charge, by reasonable prior notice in writing or by email to the Company's Share Registrar.

LISTINGS
The Company's shares are listed on The Stock Exchange of Hong Kong Limited and traded in the form of American Depositary Receipts ("ADRs") on the OTC Markets Group Inc. in the United States. Each ADR represents 10 ordinary shares of the Company. Certain United States Dollar guaranteed notes issued by subsidiaries of the Company are listed on the Singapore Exchange Securities Trading Limited.

Additional information and specific inquiries concerning the Company's ADRs should be directed to the Company's ADR Depositary at the address given on this page.

Other inquiries regarding the Company should be addressed to Investor Relations at the address given on this page.

STOCK CODES
The Stock Exchange of Hong Kong Limited	0008
Reuters	0008.HK
Bloomberg	8 HK
ADRs	PCCWY

REGISTRAR
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Telephone: +852 2862 8555
Fax: +852 2529 6087
Email: hkinfo@computershare.com.hk

ADR DEPOSITARY
Citibank, N.A.
PCCW American Depositary Receipts
Citibank Shareholder Services
250 Royall Street, Canton, MA 02021, USA
Telephone: 877 248 4237 (toll free within USA)
Telephone: +1 781 575 4555
Email: citibank@shareholders-online.com
Website: www.citi.com/dr

SHARE INFORMATION
Board lot:	1,000 shares
Issued shares as at June 30, 2013:	7,272,294,654 shares

DIVIDEND
Interim dividend per ordinary share for the six months ended June 30, 2013:	6.35 HK cents

FINANCIAL CALENDAR
Announcement of 2013 Interim Results	August 6, 2013
Closure of register of members	September 12-13, 2013 (both days inclusive)
Record date for 2013 interim dividend	September 13, 2013
Payment of 2013 interim dividend	On or around October 4, 2013
Announcement of 2013 Annual Results	February 2014

INVESTOR RELATIONS
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Email: ir@pccw.com

WEBSITE
www.pccw.com

Forward-Looking Statements

This interim report contains forward-looking statements. These forward-looking statements include, without limitation, statements relating to revenues and earnings. The words "believe", "intend", "expect", "anticipate", "project", "estimate", "predict", "is confident", "has confidence" and similar expressions are also intended to identify forward-looking statements. These forward-looking statements are not historical facts. Rather, the forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of the directors and management of PCCW about the business, industry and markets in which we operate.

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. Consequently, actual results could differ materially from those expressed, implied or forecasted in the forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include:

- our ability to execute our business strategy to expand our businesses locally and overseas, including entering into business combinations, strategic investments and acquisitions and challenges in growing business organically;
- our ability to develop our growth businesses in media and IT services after the spin-off of the telecommunications business into HKT;
- possible negative effects of potentially new regulatory developments;
- increased competition in the Hong Kong media market and the IT services market;
- increased content costs, changes in customer viewing habits or changes in technology;
- increased competition in the Hong Kong telecommunications market;
- our ability to obtain additional capital;
- our ability to implement our business plan as a consequence of our substantial debt; and
- our exposure to interest rate risk.

Reliance should not be placed on these forward-looking statements, which reflect the views of the directors and management of PCCW as at the date of this interim report only. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after publication of this interim report.

PCCW Limited (Incorporated in Hong Kong with limited liability)

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T: +852 2888 2888 F: +852 2877 8877 www.pccw.com

PCCW shares are listed on The Stock Exchange of Hong Kong Limited (SEHK: 0008)
and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the US (Ticker: PCCWY).