PCCW

Interim Report 2014

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 23,000 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, 2014
In HK$ million (except for per share data)

	2013 (Unaudited)	**2014 (Unaudited)**
Turnover		
Core revenue*	12,815	**14,440**
PCPD	499	**224**
	13,314	**14,664**
Cost of sales	(6,343)	**(6,782)**
General and administrative expenses	(5,286)	**(6,025)**
Other gains, net	196	**688**
Interest income	37	**45**
Finance costs	(595)	**(573)**
Share of results of associates	7	**(5)**
Share of results of joint ventures	25	**14**
Profit before income tax	1,355	**2,026**
Income tax	90	**(385)**
Profit for the period	1,445	**1,641**
Attributable to:		
Equity holders of the Company	856	**1,058**
Non-controlling interests	589	**583**
Earnings per share (in HK cents)		
Basic	11.79	**14.57**
Diluted	11.79	**14.55**
Dividend per share (in HK cents)		
Interim dividend	6.35	**6.99**
EBITDA[1]		
Core EBITDA*	3,936	**4,457**
PCPD	10	**(81)**
	3,946	**4,376**

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

STATEMENT FROM THE CHAIRMAN

I am pleased to report that PCCW Limited registered healthy financial results for the first six months of 2014.

Both the subscription base and ARPU (average revenue per user) for now TV further expanded in the first half, partly driven by the broadcast of World Cup and Barclays Premier League. EBITDA softened during the period as we are investing in service enhancement and business development for the future such as drama and other content production, free TV service and High Definition broadcast. Furthermore, the media business launched a brand new MOOV music app as part of its OTT content strategy, while the international distribution footprint of now branded TV content was broadened to Vietnam and more places in Canada.

PCCW Solutions, the Group's IT services business, recorded solid performance which was attributable to organic growth of the business on the back of an expanding market, in particular increased demand for cloud and data center services. It continued to win major contracts from the private and public sectors in Hong Kong and the mainland, maintaining a solid order backlog book.

HKT completed the landmark acquisition of CSL New World Mobility Limited in May to become Hong Kong's largest mobile service operator. HKT has unveiled a new brand and revamped the retail channels, and will continue to integrate the networks for the benefits of our customers. Meanwhile, other core telecommunications businesses including broadband and international connectivity also reported satisfactory results during the period.

In April, Pacific Century Premium Developments (PCPD) entered into a conditional agreement to sell Pacific Century Place in Beijing. The transaction was approved by PCCW and PCPD shareholders in May. Going forward, we will continue to prudently seek investment opportunities around the world. As the key economic driver in Asia, China remains a top priority in PCPD's long-term investment strategy.

While the global economy has been recovering steadily in 2014, there remain considerable uncertainties that could slow down the process. Provided that the local economy continues to grow, we are cautiously optimistic about the outlook for the remainder of this year.

I would like to conclude with a note of thanks to Mr. George Chan, who has retired as Group Managing Director, and a note of welcome to his successor, Mr. BG Srinivas, who joined PCCW in July. I am confident that, with his international experience and knowledge, Mr. Srinivas will lead the Group to greater success.

Richard Li
Chairman
August 6, 2014

STATEMENT FROM THE GROUP MANAGING DIRECTOR

This is my first interim report statement after assuming the position of Group Managing Director of PCCW Limited in July. It is my pleasure to report a set of solid results for PCCW for the six months to June 30, 2014. However, this success is owed to the leadership of my predecessor, Mr. George Chan, and the team, who were instrumental to the numerous achievements of the Group in the past several years.

NOTABLE PROGRESS ON THE MEDIA FRONT

It is well recognized that now TV is Hong Kong's leading pay-TV operator and one of the world's most successful commercial deployments of IPTV. In the first half, now TV continued to record an expansion in subscription base as well as an increase in ARPU. This was partly driven by now TV's broadcast, via a distribution agreement with TVB Network Vision, of 2014 FIFA World Cup Brazil, and our exclusive broadcast of Barclays Premier League.

The media business has adopted a multi-pronged growth strategy – firstly, extending itself from an aggregator of content to a creator of content assets via original productions; secondly, developing into a multi-platform OTT player in response to the continued increase in smartphones and connected devices; and thirdly, internationalization of our content and platform.

Encouraged by a growth of over 50% in digital music revenue in Hong Kong between 2010 and 2013, we launched a brand new version of MOOV music app in June to offer all Hongkongers an enhanced service of unlimited music download and streaming that integrates with social media with a patent-pending feature of LyricSnap!™. These features attract mobile and connected device users in Hong Kong and pave the way for the internationalization of the product in other markets. We have reached an agreement with BesTV of Guangdong IPTV to roll out MOOV nationally as its exclusive music partner.

With regards to international distribution of TV content, we also made further progress in 2014. We have established partnerships with Viettel of Vietnam and Bell's Fibe TV of Canada to launch select now branded channels on their platforms. We are distributing premium content to seven countries across Asia and North America targeting the large Chinese communities there. We are pleased to see satisfactory subscription take-up and revenue growth in these relatively new ventures.

Furthermore, global distribution of now TV's first TV drama series, the 45-episode "The Virtuous Queen of Han", is well underway. Major distribution deals have been reached with top mainland satellite TV stations including Zhejiang Satellite TV and Anhui TV Station, and stations in Singapore and Malaysia. The series will also be broadcast on Tencent's online video platform, and more agreements will be concluded in the coming months. This initial good response is a testament to the quality of our production and creative talents. Production of the second and third dramas is in the pipeline.

We have been in discussion with the Government on the final license terms of our free TV service, and have requested the allocation of spectrum in order to transmit our service to more Hong Kong people. The HK$300 million Independent Productions Scheme, set up upon the license grant in-principle to encourage outstanding independent productions, has received encouraging response from the creative industry. We are finalizing a number of projects for TV movies, dramas, and mini series.

We continue to take positive steps to combat piracy with success. Among other efforts, we have assisted Customs and Excise Department in the apprehension of several persons suspected of copyright infringements. We will continue to proactively work with the law enforcement agencies to protect intellectual property rights.

SUSTAINED GROWTH FOR IT SERVICES BUSINESS

The Group's IT solutions business recorded rapid growth in the past periods following the acquisitions of Vanda China and Compass Solutions Holdings. In the first half of 2014, PCCW Solutions focused on its ability to grow organically on the continued increase in market demand for IT services, maintaining a solid order backlog book as at the middle of the year. In particular, there was a notable increase in orders relating to cloud services.

The large data center in Kwai Chung has come into operation. The first anchor customer, a major public sector organization, began to move in last month and more customers will be taking up the facility in phases, as PCCW Solutions signed up more long-term contracts during the first half. This world-class data center will have a total floor area of 202,000 sq.ft. when fully operational, ensuring that we have adequate capacity to meet demands as they arise. Meanwhile, occupancy at other existing data center locations was also satisfactory.

Other major contract wins this year included the supply of an education information system to the Education Bureau and work related to the Immigration Department's ePassport system. Outside Hong Kong, PCCW Solutions was awarded a significant technical services contract by a Macau hotel group, and Enterprise Resource Planning (ERP) and other projects in mainland China.

PCCW Solutions is the industry leader in Hong Kong and a major IT services provider in mainland China, especially after recent acquisitions that strengthened its core competencies in certain segments such as banking, finance, retail, and manufacturing. As it consolidates its advantages, PCCW Solutions will expand its vision and reach to access global markets. We shall stay relevant to our clients in helping them transform in the digital world by offering them comprehensive solutions and capabilities.

LEADERSHIP IN MOBILE COMMUNICATIONS MARKET

HKT recorded sound operational results for its telecommunications business in the first half.

The most significant development during the period was the completion of the acquisition of CSL New World Mobility Limited (CSL) in May. HKT immediately commenced the integration of CSL in terms of staff, network, retail presence, branding and service plans. In July, it successfully integrated the CSL staff, unveiled new branding, rationalized the retail network, simplified pricing and commenced integrating the networks. HKT will continue to integrate the networks over the next few months in order to improve the network service quality and to build a technically superior network and derive a competitive edge in the market.

HKT's continuous innovation has also brought about the first Voice over LTE (VoLTE) service in Hong Kong. Launched in May, VoLTE enables 4G customers to enjoy faster voice call set-up and clearer sound, better video call quality, and instant switching between voice and video calls.

During the period, fiber broadband and fixed line services for the residential and business segments continued to contribute significantly to HKT's revenue. The international connectivity business, PCCW Global, strengthened its capability by cable investment and collaboration with other operators worldwide to meet the growing demand.

PROPERTY PROJECTS PROGRESSING WELL

Pacific Century Premium Developments' major building project in Jakarta, Indonesia continued to make encouraging progress. Located in Jakarta's Sudirman Central Business District, the development will be a 40-storey Grade A office building with a gross floor area of 151,000 square meters. A renowned international banking group has indicated its intention to be an anchor tenant by renting multiple floors in the building.

In March, the project achieved the coveted LEED Platinum Grade Pre-certification awarded by US Green Building Council, the first of its type in Indonesia, in recognition of its environmental friendly features.

During the period under review, planning work for the resort projects in Hokkaido, Japan, and Phang-nga, Thailand, continued in accordance with their respective schedules.

In April, PCPD entered into a conditional agreement to sell Pacific Century Place in Beijing. Shareholders approved the transaction in May.

ASPIRING TO BE A GLOBAL LEADER

In Hong Kong, PCCW is the undisputed leader in many of the markets in which it operates. We will maintain and strengthen our leadership and continue to provide the best services to our customers here, while at the same time looking to extend our presence and further PCCW's ambition to become a global leader. I believe PCCW can reach higher because of the Group's resources, intellectual assets, the determination of the management and all colleagues to work together, and most importantly the support of our shareholders.

BG Srinivas
Group Managing Director
August 6, 2014

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard
Chairman
Mr Li, aged 47, 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 representative of Hong Kong, China to the APEC Business Advisory Council, a member of the Center for Strategic and International Studies' International Councillors' Group in Washington, D.C., and a member of the Global Information Infrastructure Commission. Mr Li was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

Srinivas Bangalore GANGAIAH (aka BG Srinivas)
Group Managing Director
Mr Srinivas, aged 53, was appointed an Executive Director and Group Managing Director of PCCW in July 2014. He 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.

Mr Srinivas holds a degree in mechanical engineering from Bangalore University, India, and has participated in executive programs at Wharton Business School, US, and Indian Institute of Management Ahmedabad (IIMA), India. Prior to joining PCCW, Mr Srinivas has worked for the last 15 years with Infosys Group, where his last role was the President and Whole-time Director of Infosys Limited. He has also acted as Chairman of the board of Infosys Lodestone and a member of the board of Infosys Sweden. Prior to that, Mr Srinivas worked for 14 years with Asea Brown Boveri Group, where he held several leadership positions. Mr Srinivas has been on the panel of judges for the European Business Awards (EBA) for three consecutive years and is a frequent speaker at academic institutions such as INSEAD and Saïd Business School, Oxford.

HUI Hon Hing, Susanna
Group Chief Financial Officer
Ms Hui, aged 49, was appointed an Executive Director of PCCW in May 2010. She is a member of PCCW's Executive Committee. 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 the Director of Group Finance of PCCW from September 2006 to April 2007. Before that, Ms Hui was the 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 63, 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 79, 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 76, 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 a member 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 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 a Non-Executive Director of PICC Property and Casualty Company Limited from June 2004 until July 2014.

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 50, 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 51, 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

ZHANG Junan

Non-Executive Director

Mr Zhang, aged 57, became a Non-Executive Director of PCCW in August 2014 and is a member of the Remuneration Committee of the Board.

Mr Zhang 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 Zhang 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 currently serves as Vice President. Mr Zhang was appointed as Vice President of Unicom HK in April 2006, Executive Director of Unicom HK from April 2006 to October 2008 and Senior Vice President of Unicom HK in February 2009. He previously served as a Director of Bengbu Municipal Posts and Telecommunications Bureau in Anhui Province and a Deputy Director of Anhui Provincial Posts and Telecommunications Bureau. From 2000 to 2005, he served as a Deputy General Manager and General Manager of Anhui Provincial Telecommunications Company and Chairman and General Manager of Anhui Provincial Telecommunications Co., Limited. In addition, Mr Zhang serves as a Non-Executive Director of China Communications Services Corporation Limited.

Mr Zhang graduated from Nanjing University of Posts and Telecommunications majoring in carrier communication in 1982, received a master's degree in Business Administration from Australian National University in 2002 and received a doctor's degree in Business Administration from Hong Kong Polytechnic University in 2008. Mr Zhang has worked in the telecommunications industry for a long period of time and has rich management experience.

* Subsequent to the date of this report, Mr Zhang was appointed as an Executive Director of Unicom HK with effect from August 8, 2014.

WEI Zhe, David

Non-Executive Director

Mr Wei, aged 43, 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. Mr Wei is also an independent director of Leju Holdings Limited, a company listed on The New York Stock Exchange.

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 75, 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, San Miguel Brewery Hong Kong Limited, SCMP Group Limited and Vitasoy International Holdings Limited. He was a Director of COSCO Pacific Limited, China Overseas Land & Investment Limited, AFFIN Holdings Berhad and The Hong Kong Mortgage Corporation 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 67, became an Independent Non-Executive Director of PCCW in February 2004 and is the Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Board. He is also an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, and the Chairman of HKT's Nomination Committee.

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 52, was appointed an Independent Non-Executive Director of PCCW in March 2012 and is the Chairman of the Regulatory Compliance Committee and 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, she founded the Independent Schools Foundation in Hong Kong in 2000.

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 49, 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 53, 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.

David Christopher CHANCE

Independent Non-Executive Director

Mr Chance, aged 57, was appointed an Independent Non-Executive Director of PCCW and the Independent Non-Executive Chairman and Director of PCCW Media Limited, an indirect wholly-owned subsidiary of PCCW in November 2013.

Mr Chance is the Non-Executive Chairman of Modern Times Group MTG AB and the Non-Executive Chairman of Top Up TV Ltd. He has significant senior management experience particularly in the area of pay television having been formerly the Executive Chairman of Top Up TV Ltd. between 2003 and 2011 and the Deputy Managing Director of British Sky Broadcasting Group plc between 1993 and 1998. He was also a Non-Executive Director of ITV plc and O2 plc. He graduated with a Bachelor of Arts degree, a Bachelor of Science degree and a Master of Business Administration degree from the University of North Carolina.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Core revenue increased by 13% to HK$14,440 million; consolidated revenue (including PCPD) increased by 10% to HK$14,664 million
- Core EBITDA increased by 13% to HK$4,457 million; consolidated EBITDA (including PCPD) increased by 11% to HK$4,376 million
- Consolidated profit attributable to equity holders of the Company increased by 24% to HK$1,058 million; basic earnings per share amounted to 14.57 HK cents
- Interim dividend of 6.99 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, 2014 which was attributable to robust performance of our core businesses.

Core revenue for the six months ended June 30, 2014 increased by 13% to HK$14,440 million and core EBITDA also increased by 13% to HK$4,457 million with a strong contribution from HKT and continued growth at Solutions.

Including PCPD, consolidated revenue for the six months ended June 30, 2014 increased by 10% to HK$14,664 million and consolidated EBITDA increased by 11% to HK$4,376 million. Consolidated profit attributable to equity holders of the Company increased by 24% to HK$1,058 million. Basic earnings per share were 14.57 HK cents.

The board of Directors (the "Board") has resolved to declare an interim dividend of 6.99 HK cents per ordinary share for the six months ended June 30, 2014.

There were a number of significant events that occurred during the first half of 2014.

We announced in April that PCPD had entered into an agreement to sell its entire interest in Pacific Century Place, Beijing for an initial consideration of US$928 million (equivalent to approximately HK$7,193 million). The transaction was approved by PCCW and PCPD shareholders in May 2014, and is expected to be completed before the end of 2014. During the period, PCPD also completed the redemption of its convertible note to PCCW at 120% of principal amount of HK$2,420 million upon maturity representing an amount of HK$2,904 million.

In February, PCCW approved HKT's proposed acquisition of CSL New World Mobility Limited (now known as CSL Holdings Limited, "CSL"). The transaction was completed in May and HKT has become the largest mobile operator in Hong Kong.

In June, HKT launched the rights issue ("Rights Issue") to raise approximately HK$7,900 million in gross proceeds which was to be used to repay the commercial banking facilities arranged to finance the CSL acquisition. PCCW irrevocably undertook to fully subscribe to its pro rata share of the Rights Issue. The Rights Issue has recently been completed and PCCW's interest in HKT has remained unchanged at approximately 63.1%.

We also announced that Mr. BG Srinivas joined PCCW as the Group Managing Director taking over from Mr. George Chan who retired from his position effective from the end of July 13, 2014.

OUTLOOK

The Media business will continue its efforts to extend its leadership position in the pay TV market in Hong Kong while developing its OTT strategy and international content distribution business which has seen initial success. It is also making the necessary preparations for the free TV business pending finalization of the license terms with the Government.

The Solutions business will look to retain its leadership in the IT services sector in Hong Kong as well as expanding its presence in the mainland China market. As it consolidates its advantages, PCCW Solutions will expand its vision and reach to access global markets. We shall stay relevant to our clients in helping them transform in the digital world by offering them comprehensive solutions and capabilities.

HKT will leverage its mobile market leadership following the CSL acquisition and seek to realize the synergies from the increased scale and rationalization of the operations, which will manifest more evidently over the course of the next 18-24 months. Broadband and international connectivity will continue to contribute strongly to HKT's results.

Provided that the local economy continues to grow, we are cautiously optimistic about the outlook for the second half of 2014.

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, 2013	December 31, 2013	**June 30, 2014**	Better/ (Worse) y-o-y
Revenue				
HKT	11,071	11,761	**12,520**	13%
Media Business	1,299	1,721	**1,487**	14%
Solutions Business	1,393	1,568	**1,459**	5%
Other Businesses	28	30	**18**	(36)%
Eliminations	(976)	(1,252)	**(1,044)**	(7)%
Core revenue	12,815	13,828	**14,440**	13%
PCPD	499	175	**224**	(55)%
Consolidated revenue	13,314	14,003	**14,664**	10%
Cost of sales	(6,343)	(6,768)	**(6,782)**	(7)%
Operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net	(3,025)	(3,148)	**(3,506)**	(16)%
EBITDA[1]				
HKT	3,839	4,062	**4,425**	15%
Media Business	223	285	**180**	(19)%
Solutions Business	217	303	**232**	7%
Other Businesses	(268)	(286)	**(301)**	(12)%
Eliminations	(75)	(171)	**(79)**	(5)%
Core EBITDA[1]	3,936	4,193	**4,457**	13%
PCPD	10	(106)	**(81)**	NA
Consolidated EBITDA[1]	3,946	4,087	**4,376**	11%
Core EBITDA[1] margin	*31%*	*30%*	***31%***	
Consolidated EBITDA[1] margin	*30%*	*29%*	***30%***	
Depreciation and amortization	(2,266)	(2,305)	**(2,517)**	(11)%
Gain/(Loss) on disposal of property, plant and equipment, net	5	4	**(2)**	NA
Other gains, net	196	489	**688**	251%
Interest income	37	43	**45**	22%
Finance costs	(595)	(516)	**(573)**	4%
Share of results of associates and joint ventures	32	108	**9**	(72)%
Profit before income tax	1,355	1,910	**2,026**	50%

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. Net debt refers to the principal amounts of short-term borrowings and long-term borrowings minus cash and cash equivalents, short-term deposits, and cash and cash equivalents of disposal group classified as held for sale.*

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

HKT

For the six months ended HK$ million	June 30, 2013	December 31, 2013	**June 30, 2014**	Better/ (Worse) y-o-y
HKT Revenue	11,071	11,761	**12,520**	13%
HKT EBITDA[1]	3,839	4,062	**4,425**	15%
HKT EBITDA[1] margin	*35%*	*35%*	***35%***	
HKT Adjusted Funds Flow	1,484	1,417	**1,590**	7%

HKT reported solid financial results in the first half of 2014. These results reflect the robust performance of HKT's various lines of business and have consolidated the results of CSL since the completion of HKT's acquisition of CSL in May 2014.

Total revenue for the six months ended June 30, 2014 increased by 13% year-on-year to HK$12,520 million and total EBITDA increased by 15% year-on-year to HK$4,425 million. Adjusted funds flow for the six months ended June 30, 2014 reached HK$1,590 million, an increase of 7% over the same period in 2013.

As at end of July 2014, the refinancing of the CSL acquisition was wholly completed with the conclusion of approximately HK$11,700 million in 5-year banking facilities and the successful closing of the Rights Issue in July 2014 which raised approximately HK$7,900 million in gross proceeds.

HKT announced an interim distribution of 21 HK cents per Share Stapled Unit. This distribution is based on the total number of Share Stapled Units that is currently outstanding after the completion of the Rights Issue.

For a more detailed review of the performance of HKT, please refer to its 2014 interim results announcement released on August 5, 2014.

Media Business

For the six months ended HK$ million	June 30, 2013	December 31, 2013	**June 30, 2014**	Better/ (Worse) y-o-y
Media Business Revenue	1,299	1,721	**1,487**	14%
Media Business EBITDA[1]	223	285	**180**	(19)%
Media Business EBITDA[1] margin	*17%*	*17%*	***12%***	

Revenue for the Media business for the six months ended June 30, 2014 increased by 14% to HK$1,487 million from HK$1,299 million a year earlier driven by healthy improvements in subscription and advertising revenue.

The growth in subscription revenue at now TV reflected the full period impact of customer take-up of the Super Sports Pack that includes the exclusive broadcast of the Barclays Premier League ("BPL"). Take-up of the Super Sports Pack was also strengthened by the availability of the 2014 FIFA World Cup Brazil on now TV via its distribution agreement with TVB Network Vision.

The total installed now TV subscriber base reached 1,269,000 by the end of June 2014 representing a net gain of 65,000 subscribers or an increase of 5% from 12 months ago. More importantly, now TV's exit average revenue per user ("ARPU") continued to increase, rising 10% year-on-year from HK$174 to HK$191 per month.

The Media business also made further progress with regards to international distribution of TV content. In the first half of 2014, the Media business established partnerships with Viettel of Vietnam and Bell's Fibe TV of Canada to launch select now branded channels on their platforms. The Media business is now distributing premium content to seven countries with 10 distribution partners across Asia and North America, with a total overseas subscriber base of over 500,000.

EBITDA for the period was HK$180 million compared to HK$223 million a year earlier, reflecting the full six-month impact of the costs associated with BPL and investments made for service enhancement and future business development such as preparation for the free TV business.

Solutions Business

For the six months ended HK$ million	June 30, 2013	December 31, 2013	**June 30, 2014**	Better/ (Worse) y-o-y
Solutions Business Revenue	1,393	1,568	**1,459**	5%
Solutions Business EBITDA[1]	217	303	**232**	7%
Solutions Business EBITDA[1] margin	*16%*	*19%*	***16%***	

Revenue for the Solutions business for the six months ended June 30, 2014 grew by 5% to HK$1,459 million from HK$1,393 million a year ago. The growth in revenue was achieved through the timely and successful execution of projects, higher revenue contribution from the China business and growing demand for data center capacity. Particularly pleasing was the growth in revenue generated from the China market which increased 21% year-on-year. The results for the Solutions business also reflected the full six month impact of the acquisition of Compass which was completed in May 2013.

As at June 30, 2014, the Solutions business had secured orders with a value of HK$6,040 million, representing an increase of 16% from HK$5,227 million a year ago. This increase in secured orders was a result of wins across each of Solutions' major services lines including project implementation, IT outsourcing and data center services. In particular, with the increasing focus on cloud-related services the Solutions business recorded an encouraging 38% year-on-year growth in the value of secured orders for this segment.

As at June 30, 2014, the overall data center occupancy rate was 87%. In order to cater for the increasing data center needs of customers from both the corporate and public sectors, a new world-class data center in Kwai Chung with a total of gross floor area of 202,000 sq.ft. was opened up in phases, with 73,000 sq.ft. becoming available for occupancy in the first half of 2014.

EBITDA for the period increased by 7% to HK$232 million from HK$217 million a year ago, with the margin remaining at a healthy 16%. The growth in EBITDA and stable margin reflects the healthy contribution of recurring service revenue and steady staff and data center utilization levels.

PCPD

PCPD recorded total revenue of HK$224 million and negative EBITDA of HK$81 million for the six months ended June 30, 2014, compared with total revenue of HK$499 million and EBITDA of HK$10 million a year earlier.

PCPD's major development of a Grade A office building in the central business district of Jakarta, Indonesia continued to make encouraging progress. This 40-storey world class office building is expected to be completed and become fully operational in 2017. As for other overseas projects, planning work for the resort projects in Hokkaido, Japan, and Phang-nga, Thailand, continued in accordance with their respective schedules.

In April 2014, PCPD entered into an agreement to sell its entire interest in Pacific Century Place, Beijing for an initial consideration of US$928 million (equivalent to approximately HK$7,193 million). The transaction was approved by PCCW and PCPD shareholders in May 2014, and is expected to be completed before the end of 2014.

On May 9, 2014, PCPD also completed the redemption of its convertible note to PCCW at 120% of principal amount of HK$2,420 million upon maturity representing an amount of HK$2,904 million.

For more information about the performance of PCPD, please refer to its 2014 interim results announcement released on August 5, 2014.

Other Businesses

Other Businesses primarily comprised the wireless broadband business in the United Kingdom and corporate support functions. Revenue from Other Businesses was HK$18 million for the six months ended June 30, 2014 (June 30, 2013: HK$28 million), while the cost of the Group's Other Businesses was HK$301 million (June 30, 2013: HK$268 million).

Eliminations

Eliminations for the six months ended June 30, 2014 were HK$1,044 million (June 30, 2013: HK$976 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, 2013	December 31, 2013	**June 30, 2014**	Better/ (Worse) y-o-y
The Group (excluding PCPD)	6,073	6,722	**6,730**	(11)%
PCPD	270	46	**52**	81%
Group Total	6,343	6,768	**6,782**	(7)%

The Group's consolidated total cost of sales for the six months ended June 30, 2014 increased by 7% year-on-year to HK$6,782 million. This comprised a 11% increase in cost of sales for the core business which was in line with the increase in core revenue and lower cost of sales for PCPD.

General and Administrative Expenses

During the period, operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net, increased by 16% year-on-year to HK$3,506 million to support the continued growth in HKT, reflected the impact of the CSL acquisition and the continuing business expansion of the Media and Solutions businesses. Other contributing factors included inflationary pressure on staff costs and rental expenses.

Depreciation and amortization expenses increased by 11% year-on-year to HK$2,517 million driven by a 17% increase in amortization expenses and a 6% increase in depreciation expenses, due to the continuous investments in capital expenditures and customer acquisition costs for the core businesses.

As a result, general and administrative expenses increased by 14% year-on-year to HK$6,025 million for the six months ended June 30, 2014.

EBITDA[1]

Benefiting from the robust performance of HKT's business, core EBITDA for the six months ended June 30, 2014 increased by 13% year-on-year to HK$4,457 million representing a stable margin of 31%. Consolidated EBITDA increased by 11% year-on-year to HK$4,376 million for the period representing a margin of 30%.

Interest Income and Finance Costs

Interest income for the six months ended June 30, 2014 increased to HK$45 million due to a higher average cash balance as a deposit was received from the PCPD's disposal of Pacific Century Place, Beijing during the first half of 2014. Finance costs decreased by 4% year-on-year to HK$573 million due to lower average cost of debt at HKT during the period, as HKT repaid the US$500 million 10-year guaranteed notes due in July 2013 upon maturity which carried a higher interest rate of 6%. As a result, net finance costs decreased by 5% year-on-year to HK$528 million for the six months ended June 30, 2014.

Income Tax

Income tax expense for the six months ended June 30, 2014 was HK$385 million, as compared to a net income tax credit of HK$90 million a year ago, representing an effective tax rate of 19% for the period. The increase in the tax expense is mainly due to the provision of overseas tax from the disposition of an overseas subsidiary and recognition in the comparative prior period of a deferred income tax resulting from a loss-making company turning profitable.

Non-controlling Interests

Non-controlling interests were HK$583 million for the six months ended June 30, 2014 (June 30, 2013: HK$589 million), 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, 2014 increased by 24% year-on-year to HK$1,058 million (June 30, 2013: HK$856 million).

LIQUIDITY AND CAPITAL RESOURCES

The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholder 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.

The Group's gross debt[2] increased to HK$50,103 million as at June 30, 2014 due to the need to finance the acquisition of CSL by HKT (December 31, 2013: HK$30,056 million). Cash and cash equivalents totaled HK$8,571 million as at June 30, 2014 (December 31, 2013: HK$5,509 million). Net debt[2] was HK$41,037 million as at June 30, 2014 (December 31, 2013: HK$24,537 million).

The Group's gross debt[2] to total assets was 61% as at June 30, 2014 (December 31, 2013: 56%).

In June, HKT launched the Rights Issue to raise approximately HK$7,900 million in gross proceeds which was to be used to repay the commercial banking facilities arranged to finance the CSL acquisition. PCCW irrevocably undertook to fully subscribe to its pro rata share of the Rights Issue. As a result, the Group's gross debt[2] as at July 31, 2014 was HK$43,467 million.

As at July 31, 2014, the Group had a total of HK$42,804 million in committed banking facilities available for liquidity management, of which HK$13,377 million remained undrawn. Of these committed banking facilities, HKT accounted for HK$29,377 million, of which HK$4,230 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2014, Hong Kong Telecommunications (HKT) Limited, an indirect non-wholly owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service ("Moody's") (Baa2) and Standard & Poor's Ratings Services ("S&P's") (BBB). Moody's and S&P's recently revised the rating outlook on Hong Kong Telecommunications (HKT) Limited from negative to stable following the completion of the Rights Issue by the HKT Trust and HKT Limited and the use of the cash proceeds to reduce debt.

CAPITAL EXPENDITURE[3]

Group capital expenditure for the six months ended June 30, 2014 was HK$1,469 million (June 30, 2013: HK$1,195 million), of which HKT accounted for about 78% for the period (June 30, 2013: 85%). 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.

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 exposure 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 significant portion of the Group's debt is denominated in United States dollars. Accordingly, the Group has entered into 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, 2014, all cross currency interest rate swap contracts were designated as cash flow hedges and/or fair value hedges for the Group's foreign currency denominated long-term borrowings.

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

CHARGE ON ASSETS

As at June 30, 2014, certain assets of the Group with an aggregate carrying value of HK$9,044 million (December 31, 2013: HK$6,657 million) were pledged to secure loans and bank loan facilities of the Group.

CONTINGENT LIABILITIES

HK$ million	As at December 31, 2013 (Audited)	**As at June 30, 2014 (Unaudited)**
Performance guarantee	399	**436**
Others	99	**109**
	498	**545**

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

After the successful integration of CSL staff in May 2014, the Group had approximately 23,000 employees as at June 30, 2014 (June 30, 2013: 21,500). About 63% 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 6.99 HK cents (June 30, 2013: 6.35 HK cents) per ordinary share for the six months ended June 30, 2014 to shareholders whose names appear on the register of members of the Company on Thursday, August 28, 2014. The interim dividend will be payable in cash with an offer for shareholders eligible to participate the choice of a scrip dividend alternative (the "2014 Interim Scrip Dividend Scheme"). The 2014 Interim Scrip Dividend Scheme is conditional upon The Stock Exchange of Hong Kong Limited's granting of the listing of and permission to deal in the new shares to be issued under the 2014 Interim Scrip Dividend Scheme. Full details of the 2014 Interim Scrip Dividend Scheme will be set out in a circular to be despatched to shareholders on or around Friday, September 5, 2014. Dividend warrants and share certificates to be issued under the 2014 Interim Scrip Dividend Scheme will be despatched to shareholders on or around Tuesday, October 7, 2014.

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2014

In HK$ million (except for earnings per share)	Note(s)	2013 (Unaudited)	**2014 (Unaudited)**
Turnover	2	13,314	**14,664**
Cost of sales		(6,343)	**(6,782)**
General and administrative expenses		(5,286)	**(6,025)**
Other gains, net	3	196	**688**
Interest income		37	**45**
Finance costs		(595)	**(573)**
Share of results of associates		7	**(5)**
Share of results of joint ventures		25	**14**
Profit before income tax	2, 4	1,355	**2,026**
Income tax	5	90	**(385)**
Profit for the period		1,445	**1,641**
Attributable to:			
Equity holders of the Company		856	**1,058**
Non-controlling interests		589	**583**
Profit for the period		1,445	**1,641**
Earnings per share	7		
Basic		11.79 cents	**14.57 cents**
Diluted		11.79 cents	**14.55 cents**

The notes on pages 26 to 46 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, 2014

In HK$ million	2013 (Unaudited)	**2014 (Unaudited)**
Profit for the period	1,445	**1,641**
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to income statement:		
Exchange differences on translating foreign operations	(92)	**(231)**
Available-for-sale financial assets:		
– changes in fair value	9	**(16)**
– transfer to income statement on impairment	1	**–**
Cash flow hedges:		
– effective portion of changes in fair value	(15)	**5**
– transfer from equity to income statement	(20)	**–**
Other comprehensive loss for the period	(117)	**(242)**
Total comprehensive income for the period	1,328	**1,399**
Attributable to:		
Equity holders of the Company	780	**854**
Non-controlling interests	548	**545**
Total comprehensive income for the period	1,328	**1,399**

The notes on pages 26 to 46 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at June 30, 2014

In HK$ million	Note	The Group As at December 31, 2013 (Audited)	The Group As at June 30, 2014 (Unaudited)	The Company As at December 31, 2013 (Audited)	The Company As at June 30, 2014 (Unaudited)
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		15,693	**18,928**	–	**–**
Investment properties		8,436	**1,927**	–	**–**
Interests in leasehold land		496	**475**	–	**–**
Properties held for/under development		1,024	**1,047**	–	**–**
Goodwill		3,469	**17,148**	–	**–**
Intangible assets		3,574	**8,761**	–	**–**
Interests in subsidiaries		–	**–**	12,089	**12,089**
Interests in associates		661	**680**	–	**–**
Interests in joint ventures		582	**601**	–	**–**
Held-to-maturity investments		1	**1**	–	**–**
Available-for-sale financial assets		706	**789**	–	**–**
Derivative financial instruments		67	**56**	–	**–**
Deferred income tax assets		1,078	**1,078**	–	**–**
Defined benefit assets		–	**22**	–	**–**
Other non-current assets		571	**656**	–	**–**
		36,358	**52,169**	12,089	**12,089**
Current assets					
Amounts due from subsidiaries		–	**–**	16,749	**16,496**
Sales proceeds held in stakeholders' accounts		541	**536**	–	**–**
Restricted cash		1,032	**1,032**	–	**–**
Prepayments, deposits and other current assets		5,396	**6,125**	8	**10**
Inventories		1,199	**1,282**	–	**–**
Amounts due from related companies		89	**95**	–	**–**
Trade receivables, net	8	3,501	**4,701**	–	**–**
Tax recoverable		302	**24**	–	**–**
Short-term deposits		10	**–**	–	**–**
Cash and cash equivalents		5,509	**8,571**	1,900	**4,262**
		17,579	**22,366**	18,657	**20,768**
Assets of disposal group classified as held for sale	10(a)	–	**7,718**	–	**–**
		17,579	**30,084**	18,657	**20,768**

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION *(CONTINUED)*

As at June 30, 2014

In HK$ million	Note	The Group As at December 31, 2013 (Audited)	The Group As at **June 30, 2014 (Unaudited)**	The Company As at December 31, 2013 (Audited)	The Company As at **June 30, 2014 (Unaudited)**
Current liabilities					
Short-term borrowings		(1)	**(2,252)**	–	**(784)**
Trade payables	9	(2,118)	**(2,612)**	–	**–**
Accruals and other payables		(4,420)	**(8,942)**	(10)	**(6)**
Amount payable to the Government under the Cyberport Project Agreement		(521)	**(522)**	–	**–**
Carrier licence fee liabilities		(205)	**(483)**	–	**–**
Amounts due to related companies		(126)	**(129)**	–	**–**
Advances from customers		(1,929)	**(2,322)**	–	**–**
Current income tax liabilities		(1,338)	**(1,625)**	–	**–**
		(10,658)	**(18,887)**	(10)	**(790)**
Liabilities of disposal group classified as held for sale	10(b)	–	**(1,536)**	–	**–**
		(10,658)	**(20,423)**	(10)	**(790)**
Net current assets		6,921	**9,661**	18,647	**19,978**
Total assets less current liabilities		43,279	**61,830**	30,736	**32,067**
Non-current liabilities					
Long-term borrowings		(29,074)	**(46,815)**	(1,575)	**(796)**
Amount due to a subsidiary		–	**–**	(2,010)	**(2,102)**
Derivative financial instruments		(711)	**(429)**	(306)	**(197)**
Deferred income tax liabilities		(2,658)	**(2,370)**	–	**–**
Deferred income		(951)	**(1,127)**	–	**–**
Defined benefit liability		(98)	**(100)**	–	**–**
Carrier licence fee liabilities		(605)	**(1,426)**	–	**–**
Other long-term liabilities		(549)	**(515)**	–	**–**
		(34,646)	**(52,782)**	(3,891)	**(3,095)**
Net assets		8,633	**9,048**	26,845	**28,972**
CAPITAL AND RESERVES					
Share capital: nominal value	11	1,818	**–**	1,818	**–**
Other statutory capital reserves	11	9,146	**–**	9,146	**–**
Share capital	11	10,964	**11,438**	10,964	**11,438**
Other reserves		(1,777)	**(1,890)**	15,881	**17,534**
Equity attributable to equity holders of the Company		9,187	**9,548**	26,845	**28,972**
Non-controlling interests		(554)	**(500)**	–	**–**
Total equity		8,633	**9,048**	26,845	**28,972**

The notes on pages 26 to 46 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, 2014

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	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/(loss) for the period															
Profit/(loss) 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)
Other comprehensive (loss)/income	–	–	–	–	–	–	(68)	(19)	11	–	–	(76)	(41)	(117)	6
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	(68)	(19)	11	–	856	780	548	1,328	(84)
Transactions with equity holders															
Purchase of shares of PCCW Limited ("PCCW Shares") under share award schemes	–	–	–	–	(37)	–	–	–	–	–	–	(37)	–	(37)	–
Purchase of share stapled units of the HKT Trust and HKT Limited ("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 share award schemes and Share Stapled Units under 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)	–
Total contributions by and distributions to equity holders	–	–	(985)	–	(31)	10	–	–	–	–	(12)	(1,018)	(515)	(1,533)	(985)
Effects of consolidation of a former associate	–	–	–	–	–	–	–	–	–	–	–	–	22	22	–
Total changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	–	–	–	–	–	–	–	–	–	–	22	22	–
Total transactions with equity holders	–	–	(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

For the six months ended June 30, 2014

In HK$ million	The Group 2014 (Unaudited)														The Company 2014 (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, 2014	1,818	9,143	5,947	3	(74)	60	921	97	327	(31)	(9,024)	9,187	(554)	8,633	26,845
Total comprehensive income for the period															
Profit for the period	-	-	-	-	-	-	-	-	-	-	1,058	1,058	583	1,641	2,646
Other comprehensive income/(loss)															
Items that may be reclassified subsequently to income statement:															
Exchange differences on translating foreign operations	-	-	-	-	-	-	(213)	-	-	-	-	(213)	(18)	(231)	-
Available-for-sale financial assets:															
– changes in fair value	-	-	-	-	-	-	-	-	(4)	-	-	(4)	(12)	(16)	-
Cash flow hedges:															
– effective portion of changes in fair value	-	-	-	-	-	-	-	9	-	-	-	9	(4)	5	16
– transfer from equity to income statement	-	-	-	-	-	-	-	4	-	-	-	4	(4)	-	-
Other comprehensive (loss)/income	-	-	-	-	-	-	(213)	13	(4)	-	-	(204)	(38)	(242)	16
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(213)	13	(4)	-	1,058	854	545	1,399	2,662
Transactions with equity holders															
Purchase of PCCW Shares under share award schemes	-	-	-	-	(4)	-	-	-	-	-	-	(4)	-	(4)	-
Employee share-based compensation	-	-	-	-	-	22	-	-	-	-	-	22	3	25	-
PCCW Shares issued in lieu of cash dividends	474	-	-	-	-	-	-	-	-	-	-	474	-	474	474
Transition to no-par value regime on March 3, 2014 *(notes 1 and 11)*	9,146	(9,143)	-	(3)	-	-	-	-	-	-	-	-	-	-	-
Vesting of PCCW Shares under share award schemes and Share Stapled Units under Share Stapled Units award schemes	-	-	-	-	24	(28)	-	-	-	-	5	1	(1)	-	-
Dividend received for Share Stapled Units under Share Stapled Units award schemes	-	-	-	-	-	(1)	-	-	-	-	-	(1)	-	(1)	-
Final dividend paid in respect of previous year *(note 6(b))*	-	-	(1,006)	-	-	(3)	-	-	-	-	-	(1,009)	-	(1,009)	(1,009)
Dividend declared and paid to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	(572)	(572)	-
Total contributions by and distributions to equity holders	9,620	(9,143)	(1,006)	(3)	20	(10)	-	-	-	-	5	(517)	(570)	(1,087)	(535)
Contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	6	6	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	36	36	-
Change in ownership interests in a subsidiary without change of control	-	-	-	-	-	-	-	-	-	-	24	24	37	61	-
Total changes in ownership interests in subsidiaries that do not result in a loss of control	-	-	-	-	-	-	-	-	-	-	24	24	79	103	-
Total transactions with equity holders	9,620	(9,143)	(1,006)	(3)	20	(10)	-	-	-	-	29	(493)	(491)	(984)	(535)
At June 30, 2014	11,438	-	4,941	-	(54)	50	708	110	323	(31)	(7,937)	9,548	(500)	9,048	28,972

The notes on pages 26 to 46 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, 2014

In HK$ million	2013 (Unaudited)	**2014 (Unaudited)**
Net cash generated from operating activities	3,235	**3,953**
Investing activities		
Proceeds from proposed disposal of assets and liabilities held for sale	–	**3,238**
Net outflow of cash and cash equivalents in respect of business combinations	(49)	**(18,757)**
Other investing activities	(2,801)	**(2,949)**
Net cash used in investing activities	(2,850)	**(18,468)**
Financing activities		
New borrowings raised, net	16,340	**51,718**
Repayments of borrowings	(11,706)	**(32,020)**
Other financing activities	(1,827)	**(1,588)**
Net cash generated from financing activities	2,807	**18,110**
Net increase in cash and cash equivalents	3,192	**3,595**
Exchange differences	5	**(38)**
Cash and cash equivalents at January 1,	4,553	**5,509**
Cash and cash equivalents at June 30,	7,750	**9,066**
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	8,784	**10,098**
Less: Short-term deposits	(5)	**–**
Less: Restricted cash	(1,029)	**(1,032)**
	7,750	**9,066**
Less: Cash and cash equivalents of disposal group classified as held for sale	–	**(495)**
	7,750	**8,571**

The notes on pages 26 to 46 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, 2013.

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, 2014.

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.

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, 2013, except for those as disclosed below:

a. Non-current assets (or disposal group) held for sale

Non-current assets (or disposal group) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal group), are stated at the lower of carrying amount and fair value less costs to sell. Investment properties and deferred income tax liabilities, even if held for sale, would continue to be measured in accordance with the Group's policies.

b. 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, 2014 as described below.

1 BASIS OF PREPARATION *(CONTINUED)*

b. *(continued)*

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2014, but have had no material effect on the Group's reported results and financial position for the current and prior periods.

- HKAS 27 (2011) (Amendment), Separate Financial Statements – Investment Entities.
- HKAS 32 (Amendment), Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.
- HKAS 36 (Amendment), Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets.
- HKAS 39 (Amendment), Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting.
- HK(IFRIC) – Int 21, 'Levies'.
- HKFRS 10 (Amendment), Consolidated Financial Statements – Investment Entities.
- HKFRS 12 (Amendment), Disclosure of Interest in Other Entities – Investment Entities.

The Group has not adopted any new HKFRSs that are not yet effective for the current accounting period. In addition, the new Hong Kong Companies Ordinance (Cap. 622) abolished the concept of "par value" or "nominal value" of shares and "authorized share capital" for all Hong Kong incorporated companies with effect from March 3, 2014 and this change was reflected in the statements of changes in equity and note 11.

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 sales, outsourcing, consulting, and contact centers. It operates primarily in Hong Kong and also serves customers in mainland China and 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, mainland China and elsewhere in Asia.

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

2 SEGMENT INFORMATION *(CONTINUED)*

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.

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, 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

In HK$ million	**For the six months ended June 30, 2014 (Unaudited)**						
	HKT	**Media Business**	**Solutions Business**	**Other Businesses**	**PCPD**	**Eliminations**	**Consolidated**
REVENUE							
External revenue	**12,370**	**965**	**1,097**	**18**	**214**	**–**	**14,664**
Inter-segment revenue *(note a)*	**150**	**522**	**362**	**–**	**10**	**(1,044)**	**–**
Total revenue	**12,520**	**1,487**	**1,459**	**18**	**224**	**(1,044)**	**14,664**
RESULTS							
EBITDA	**4,425**	**180**	**232**	**(301)**	**(81)**	**(79)**	**4,376**

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, 2013 (Unaudited)	**Six months ended June 30, 2014 (Unaudited)**
Total segment EBITDA	3,946	**4,376**
Gain/(Loss) on disposal of property, plant and equipment, net	5	**(2)**
Depreciation and amortization	(2,266)	**(2,517)**
Other gains, net	196	**688**
Interest income	37	**45**
Finance costs	(595)	**(573)**
Share of results of associates and joint ventures	32	**9**
Profit before income tax	1,355	**2,026**

3 OTHER GAINS, NET

In HK$ million	Six months ended June 30, 2013 (Unaudited)	**Six months ended June 30, 2014 (Unaudited)**
Fair value gains on investment properties	230	**654**
Net gains on cash flow hedging instruments transferred from equity	7	**1**
Net gains on fair value hedging instruments	17	**23**
Net gains from return of investment in available-for-sale financial assets	–	**10**
Recovery of impairment loss on an interest in a joint venture	22	**–**
Provision for impairment of investment	(78)	**–**
Others	(2)	**–**
	196	**688**

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, 2013 (Unaudited)	**Six months ended June 30, 2014 (Unaudited)**
Crediting:		
Revenue from properties sold	283	**–**
Charging:		
Cost of inventories sold	949	**1,078**
Cost of properties sold	220	**–**
Cost of sales, excluding inventories and properties sold	5,174	**5,704**
Depreciation of property, plant and equipment	1,169	**1,236**
Amortization of intangible assets	1,085	**1,270**
Amortization of land lease premium – interests in leasehold land	12	**11**
Finance costs on borrowings	558	**530**
Staff costs	1,350	**1,435**

5 INCOME TAX

In HK$ million	Six months ended June 30, 2013 (Unaudited)	**June 30, 2014 (Unaudited)**
Current income tax:		
Hong Kong profits tax	294	**29**
Overseas tax	12	**51**
Movement of deferred income tax	(396)	**305**
	(90)	**385**

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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, 2013 (Unaudited)	**June 30, 2014 (Unaudited)**
Interim dividend declared after the interim period of 6.99 HK cents (2013: 6.35 HK cents) per ordinary share	462	**517**

At a meeting held on August 6, 2014, the directors declared an interim dividend of 6.99 HK cents per ordinary share for the year ending December 31, 2014. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information.

The 2014 interim dividend will be payable in cash with a scrip dividend alternative subject to the Stock Exchange granting the listing of and permission to deal in the new PCCW Shares to be issued pursuant thereto.

b. Dividends approved and paid during the interim period

In HK$ million	Six months ended June 30, 2013 (Unaudited)	**June 30, 2014 (Unaudited)**
Final dividend in respect of the previous financial year, approved and paid during the interim period of 13.85 HK cents (2013: 13.55 HK cents) per ordinary share *(note i)*	985	**1,009**
Less: dividend for PCCW Shares held by share award schemes	–	**(3)**
	985	**1,006**

i. The 2013 final dividend payable in cash with a scrip dividend alternative was approved by the shareholders at the annual general meeting and the listing of and permission to deal in the new PCCW Shares issued pursuant thereto was granted by the Stock Exchange. Please refer to note 11 for the details of share capital issued and allotted during the six months ended June 30, 2014.

7 EARNINGS PER SHARE

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

	Six months ended June 30, 2013 (Unaudited)	June 30, 2014 (Unaudited)
Earnings (in HK$ million)		
Earnings for the purposes of basic and diluted earnings per share	856	**1,058**
Number of shares		
Weighted average number of ordinary shares	7,272,294,654	**7,282,662,873**
Effect of PCCW Shares held under the Company's share award schemes	(14,610,596)	**(19,497,262)**
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,257,684,058	**7,263,165,611**
Effect of PCCW Shares awarded under the Company's share award schemes	5,328,782	**7,768,057**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,263,012,840	**7,270,933,668**

8 TRADE RECEIVABLES, NET

The aging of trade receivables is set out below:

In HK$ million	As at December 31, 2013 (Audited)	June 30, 2014 (Unaudited)
0–30 days	1,784	**2,624**
31–60 days	555	**519**
61–90 days	270	**370**
91–120 days	129	**235**
Over 120 days	987	**1,190**
	3,725	**4,938**
Less: Impairment loss for doubtful debts	(224)	**(237)**
	3,501	**4,701**

Included in trade receivables, net of the Group were amounts due from related parties of HK$79 million and HK$155 million as at June 30, 2014 and December 31, 2013 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 payables 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, 2013 (Audited)	As at **June 30, 2014 (Unaudited)**
0–30 days	1,033	**1,316**
31–60 days	172	**237**
61–90 days	99	**117**
91–120 days	25	**111**
Over 120 days	789	**831**
	2,118	**2,612**

Included in trade payables of the Group were amounts due to related parties of HK$57 million and HK$36 million as at June 30, 2014 and December 31, 2013 respectively.

10 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On April 8, 2014, PCPD and its subsidiaries (together the "PCPD Group") entered into a sale and purchase agreement ("SPA") pursuant to which the PCPD Group has agreed to sell the entire issued share capital of Gain Score Limited, an indirect non-wholly owned subsidiary of the Company, and to assign the shareholder loan to an independent third party for an initial aggregated consideration of US$928 million (equivalent to approximately HK$7,193 million), subject to adjustments in accordance with the SPA. The principal asset of Gain Score Limited and its subsidiaries (together the "Gain Score Group") is the land use rights and property rights in the investment property known as "Pacific Century Place, Beijing" located in mainland China.

As at June 30, 2014, the first and second instalments of the initial consideration in the sum of US$417.6 million (equivalent to approximately HK$3,238 million) have been received and included in "Accruals and other payables" in the consolidated statement of financial position.

The assets and liabilities of the Gain Score Group have been presented as held for sale following the approval of the transactions under the SPA by the shareholders of the Company at an extraordinary general meeting held on May 8, 2014 and by PCPD's shareholders at a special general meeting held on May 9, 2014. The fair value of the investment property located in mainland China is referenced to the initial consideration under the SPA with adjustments. As a result, it is transferred from level 3 in the fair value hierarchy as at December 31, 2013, to level 2 as at June 30, 2014.

The transaction is expected to be completed before the end of 2014.

10 ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE *(CONTINUED)*

a. Assets of disposal group classified as held for sale

In HK$ million	As at December 31, 2013 (Audited)	As at **June 30, 2014 (Unaudited)**
Property, plant and equipment	–	**59**
Investment property	–	**7,092**
Interests in leasehold land	–	**10**
Intangible assets	–	**27**
Restricted cash	–	**5**
Prepayments, deposits and other current assets	–	**21**
Trade receivables, net	–	**9**
Cash and cash equivalents	–	**495**
	–	**7,718**

b. Liabilities of disposal group classified as held for sale

In HK$ million	As at December 31, 2013 (Audited)	As at **June 30, 2014 (Unaudited)**
Accruals and other payables	–	**(91)**
Current income tax liabilities	–	**(3)**
Deferred income tax liabilities	–	**(1,442)**
	–	**(1,536)**

c. Cumulative income or expense recognized in other comprehensive income relating to Gain Score Group classified as held for sale

In HK$ million	As at December 31, 2013 (Audited)	As at **June 30, 2014 (Unaudited)**
Cumulative other comprehensive income		
Foreign exchange translation adjustments, net of tax	–	**1,046**

11 SHARE CAPITAL

	As at			
	December 31, 2013		**June 30, 2014**	
	Number of shares (Audited)	(Audited) HK$ million	**Number of shares (Unaudited)**	**(Unaudited) HK$ million**
Authorized: *(note a)*				
Ordinary shares of HK$0.25 each *(note b)*	10,000,000,000	2,500	**–**	**–**

	Six months ended June 30,			
	2013		**2014**	
	Number of shares (Unaudited)	Share capital (Unaudited) HK$ million	**Number of shares (Unaudited)**	**Share capital (Unaudited) HK$ million**
Issued and fully paid:				
As at January 1	7,272,294,654	1,818	**7,272,294,654**	**1,818**
PCCW Shares issued in lieu of cash dividends *(note c)*	–	–	**114,240,694**	**474**
PCCW Shares issued for share award scheme *(note d)*	–	–	**10,000,000**	**–**
Transition to no-par value regime on March 3, 2014 *(note e)*	–	–	**–**	**9,146**
As at June 30	7,272,294,654	1,818	**7,396,535,348**	**11,438**

a. Under the new Hong Kong Companies Ordinance (Cap. 622) which came into effect on March 3, 2014, the concept of authorized share capital no longer exists.

b. In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from March 3, 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

c. During the six months ended June 30, 2014, the Company issued and allotted 114,240,694 new fully paid shares (2013: nil) at HK$4.148 per share to the shareholders who elected to receive PCCW Shares in lieu of cash for 2013 final dividend pursuant to the scrip dividend scheme.

d. During the six months ended June 30, 2014, the Company issued and allotted 10,000,000 new fully paid shares (2013: nil) at HK$0.01 per share pursuant to the share award scheme.

e. In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on March 3, 2014, any amount standing to the credit of the share premium account and the capital redemption reserve account has become part of the Company's share capital.

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

Pursuant to the two share incentive award schemes of the Company, namely the Purchase Scheme and the Subscription Scheme (collectively the "PCCW Share Award Schemes") and the two 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, 2014.

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, 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

	Six months ended June 30, 2014	
	Number of PCCW Shares (Unaudited)	**Number of Share Stapled Units (Unaudited)**
As at January 1, 2014	**19,104,824**	**7,530,210**
Purchase from the market by the trustee at average market price of HK$4.20 per PCCW Share	**855,000**	**–**
Newly issued by the Company at issue price of HK$0.01 per PCCW Share	**10,000,000**	**–**
PCCW Shares/Share Stapled Units vested	**(6,750,928)**	**(1,775,845)**
As at June 30, 2014	**23,208,896**	**5,754,365**

The average fair values of the PCCW Shares and the Share Stapled Units awarded during the six months ended June 30, 2014 at the dates of award are HK$4.00 (2013: HK$3.64) per PCCW Share and HK$8.26 (2013: HK$7.59) 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, 2013 (Audited)	As at June 30, 2014 (Unaudited)
Authorized and contracted for	1,773	**1,434**
Authorized but not contracted for	860	**2,573**
	2,633	**4,007**

As at June 30, 2014, commitments of approximately HK$30 million was related to the disposal group which are not included in the capital commitment indicated above.

14 CONTINGENT LIABILITIES

In HK$ million	As at December 31, 2013 (Audited)	As at June 30, 2014 (Unaudited)
Performance guarantee	399	**436**
Others	99	**109**
	498	**545**

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, 2013 (Audited)	As at **June 30, 2014 (Unaudited)**
Property, plant and equipment	39	**38**
Investment properties	6,603	**1,899**
Investment property, included in assets of disposal group classified as held for sale	–	**7,092**
Short-term deposits	5	**–**
Restricted cash	10	**15**
	6,657	**9,044**

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, 2013 (Unaudited)	Six months ended **June 30, 2014 (Unaudited)**
Telecommunications service fees, facility management service charges and interest income received or receivable from joint ventures	a	26	**39**
System integration service charges, consultancy service charges and interest income received or receivable from associates	a	15	**8**
Telecommunications service fees and systems integration charges received or receivable from a substantial shareholder	a	143	**142**
Telecommunications service fees and rental charges paid or payable to joint ventures	a	170	**173**
Telecommunications service fees and facility management service charges paid or payable to a substantial shareholder	a	78	**64**
Consideration paid or payable for the purchase of equipment from an associate	a	13	**–**
Key management compensation	b	47	**40**

16 RELATED PARTY TRANSACTIONS *(CONTINUED)*

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, 2013 (Unaudited)	**Six months ended June 30, 2014 (Unaudited)**
Salaries and other short-term employee benefits	40	**31**
Share-based compensation	6	**8**
Post-employment benefits	1	**1**
	47	**40**

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, 2013. There have been no changes in any financial management policies and practices since December 31, 2013.

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 included within level 1 that are observable for the asset or liability, 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).

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 December 31, 2013:

In HK$ million	As at December 31, 2013 (Audited)			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
– Listed equity securities	197	–	–	197
– Unlisted equity securities	–	–	509	509
Derivative financial instruments (non-current)	–	67	–	67
Total assets	197	67	509	773
Liabilities				
Derivative financial instruments (non-current)	–	(711)	–	(711)

The following table presents the Group's financial instruments that are measured at fair value at June 30, 2014:

In HK$ million	**As at June 30, 2014 (Unaudited)**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale financial assets				
– Listed equity securities	**181**	**–**	**–**	**181**
– Unlisted equity securities	**–**	**–**	**608**	**608**
Derivative financial instruments (non-current)	**–**	**56**	**–**	**56**
Total assets	**181**	**56**	**608**	**845**
Liabilities				
Derivative financial instruments (non-current)	**–**	**(429)**	**–**	**(429)**

The following table presents the Company's financial instruments that are measured at fair value at December 31, 2013 and June 30, 2014:

In HK$ million	**The Company Level 2**	
	As at December 31, 2013 (Audited)	**As at June 30, 2014 (Unaudited)**
Liabilities		
Derivative financial instruments (non-current)	(306)	**(197)**

17 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Estimation of fair values *(continued)*

The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. 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 equity investments in several private companies.

For unlisted securities or financial assets without an active market, the Group establishes the 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 statement of financial position at cost less impairment losses.

The key assumptions adopted in the valuation models include market multiples, discount rates and growth rates which are based on historical pattern and industry trends of comparable companies. The fair values of these investments may differ significantly if there are material changes to the underlying assumptions applied in the relevant fair valuation models.

Key assumptions used for the valuations of these unlisted investments are:

– Market multiple (based on price earnings multiple or enterprise value/earnings before interest and tax multiple of comparable companies): 3–20
– Liquidity discount: 15% – 30%
– Market size discount: 15% – 70%
– Future growth rates: 10% – 50%

There were no significant transfers of financial assets and liabilities between fair value hierarchy classifications during the six months ended June 30, 2014.

There were no changes in valuation techniques during the six months ended June 30, 2014.

The following table presents the changes in level 3 instruments during the six months ended June 30, 2013 and 2014:

In HK$ million	**Available-for-sale financial assets – unlisted equity securities**	
	Six months ended June 30,	
	2013 (Unaudited)	**2014 (Unaudited)**
At January 1	587	**509**
Additions	37	**122**
Return of investments	(114)	**(23)**
Unrealized fair value gains transferred to other comprehensive income	1	**–**
Impairment loss recognized	(77)	**–**
At June 30	434	**608**

17 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Estimation of fair values *(continued)*

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

During the six months ended June 30, 2014, there was no provision for impairment recognized in the consolidated income statement.

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.

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 December 31, 2013 and June 30, 2014 except as follows, with fair value calculated by quoted prices:

In HK$ million	As at December 31, 2013 (Audited)		**As at June 30, 2014 (Unaudited)**	
	Carrying amount	Fair value	**Carrying amount**	**Fair value**
Short-term borrowings	(1)	(1)	**(2,252)**	**(2,252)**
Long-term borrowings	(29,074)	(29,893)	**(46,815)**	**(47,681)**

18 BUSINESS COMBINATIONS

a. Acquisition of CSL Holdings Limited (formerly known as CSL New World Mobility Limited) and its subsidiaries (together the "CSL Group")

On May 14, 2014, the Group completed the acquisition of the entire issued share capital of CSL Holdings Limited (formerly known as CSL New World Mobility Limited), a company incorporated in Bermuda, and its subsidiaries. The purpose of the acquisition is to bolster the Group's telecommunications business and continue to meet the needs of Hong Kong public and local and international businesses with a wide range of telecommunications services through 4G, 3G and 2G networks, and the sales of mobile telecommunications products, to customers in Hong Kong. The estimated aggregate consideration (which is subject to potential adjustments regarding the amount of net working capital of CSL Group, if any, upon finalization of its audited completion accounts) was approximately US$2,585 million (approximately HK$20,076 million) which was recognized in the accounts for the acquisition. A payment of US$2,572 million (approximately HK$19,943 million) has been made by the Group in May 2014 upon the completion of the acquisition. The remaining balance is recorded as consideration payable as at June 30, 2014.

After considering the cash held by CSL Group of approximately HK$1,186 million on the acquisition completion date, the net cash paid by the Group during the six months ended June 30, 2014 for the acquisition was approximately US$2,420 million (approximately HK$18,757 million).

18 BUSINESS COMBINATIONS *(CONTINUED)*

a. Acquisition of CSL Holdings Limited (formerly known as CSL New World Mobility Limited) and its subsidiaries (together the "CSL Group") *(continued)*

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, this 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 CSL Group at the acquisition date were as follows:

In HK$ million	**Net assets acquired and goodwill (Unaudited)**
Aggregate consideration	**20,076**
Less: Estimated fair value of net assets acquired	**(6,400)**
Goodwill on acquisition	**13,676**

The goodwill is attributable to the expected future profits generated from the telecommunications business strengthened by enhancement of mobile services income stream through increased economies of scale, enlargement of service capacity and improvement of indoor signal coverage and customer experience, strengthening of roaming business and opportunity to realize operational synergies.

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

18 BUSINESS COMBINATIONS *(CONTINUED)*

a. Acquisition of CSL Holdings Limited (formerly known as CSL New World Mobility Limited) and its subsidiaries (together the "CSL Group") *(continued)*

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

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

In HK$ million	Estimated fair value (Unaudited)
Property, plant and equipment	3,027
Intangible assets	5,301
Interests in a joint venture	14
Prepayments, deposits, trade receivables, net and other current and non-current assets	1,557
Deferred income tax assets	26
Defined benefit assets	26
Inventories	202
Cash and cash equivalents	1,186
Trade payables	(287)
Accruals, other payables and carrier licence fee liabilities (current and non-current)	(2,829)
Advances from customers	(622)
Deferred income	(64)
Current income tax liabilities	(315)
Deferred income tax liabilities	(786)
	6,436
Non-controlling interests	(36)
Net assets acquired	6,400

In HK$ million	Net cash outflow (Unaudited)
Purchase consideration settled in cash	19,943
Cash and cash equivalents of the CSL Group acquired	(1,186)
	18,757

ii. Revenue and profit contribution

CSL Group's revenue and profit attributable to equity holders for the period from January 1, 2014 to the acquisition date were HK$2,942 million and HK$234 million, respectively. The business of the CSL Group has been integrated into the Group since the acquisition date. Accordingly, it is not practical to quantify the individual contribution of the CSL Group to the revenue and profit of the Group during the period ended June 30, 2014 on a reasonable basis.

18 BUSINESS COMBINATIONS *(CONTINUED)*

b. 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 issued 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 licence, 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$14 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$14 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. The accounting for the acquisition of the Compass Group was completed as at June 30, 2014 and the fair values of the acquirees' identifiable assets, liabilities and contingent liabilities are concluded to be the same as their provisional amounts as at acquisition date. As a result, no adjustment to the provisional amounts and goodwill for the six months ended June 30, 2014 is required.

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	14
Purchase consideration	79
Less: Fair value of net assets acquired	(1)
Goodwill on acquisition	78

The goodwill is attributable to the expected future profits generated from the system integration business. The acquisition of the Compass Group has added a professional team with in-depth expertise in SAP implementation and training, enabling the Group to further expand its enterprise resource planning capabilities and geographical presence.

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

18 BUSINESS COMBINATIONS *(CONTINUED)*

b. 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	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)

At the acquisition date, the fair value of trade receivables was HK$13 million. The gross contractual amount for trade receivables due was HK$19 million, of which HK$6 million was expected to be uncollectible.

ii. Acquisition-related costs

Acquisition-related costs of approximately HK$1 million were 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 ended June 30, 2013 would have been approximately HK$63 million and approximately HK$5 million, respectively.

19 CHANGE IN OWNERSHIP INTERESTS IN A SUBSIDIARY WITHOUT LOSS OF CONTROL

a. Disposal of interests in PCPD without loss of control

In HK$ million	Six months ended June 30, 2013 (Unaudited)	Six months ended **June 30, 2014 (Unaudited)**
Consideration received from disposal of interests in PCPD	–	**61**
Carrying amount of interests in PCPD disposed of	–	**(37)**
Gain on disposal recognized within equity	–	**24**

During the six months ended June 30, 2014, the Group disposed of a total of 11,178,000 ordinary shares of PCPD at the aggregate consideration of approximately HK$61 million in cash. The total carrying amount of the interests in PCPD disposed of on the dates of the disposal was approximately HK$37 million. The Group recognized an increase in equity attributable to the equity holders of the Company of approximately HK$24 million. Consequently, the Group holds approximately 71.7% of the ordinary shares of PCPD.

The Group also holds non-redeemable bonus convertible notes with conversion rights to acquire ordinary shares of PCPD. As the non-redeemable bonus convertible notes contain rights to dividends and other distributions similar to ordinary shares and can be converted at any time provided that the public float requirements could be complied with, the Company consolidates the results of PCPD on its approximately 92.9% economic interest after taking into account the non-redeemable bonus convertible notes on an as-converted basis in accordance with HKFRSs.

The disposal of ordinary shares of PCPD constituted a reduction of approximately 0.7% economic interest in PCPD from approximately 93.6% to approximately 92.9% on an as-converted basis.

b. There were no changes in ownership interests in subsidiaries without loss of control during the six months ended June 30, 2013.

20 SUBSEQUENT EVENT

As disclosed in the joint announcement of the Company and the HKT Trust and HKT dated June 13, 2014, the HKT Trust and HKT had proposed a rights issue ("Rights Issue") which involved the issue of 1,155,011,542 new Share Stapled Units (the "Rights Share Stapled Units") at a subscription price of HK$6.84 per Rights Share Stapled Unit on the basis of 18 Rights Share Stapled Units for every 100 Share Stapled Units in issue on June 27, 2014. The Rights Issue was completed in July 2014, and a total of 1,155,011,542 new Share Stapled Units were allotted and issued pursuant to the Rights Issue. After the completion of the Rights Issue, the Group's interest in the Share Stapled Units of the HKT Trust and HKT remained unchanged at approximately 63.1%.

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, 2014, 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 of the Company held by the directors and chief executives of the Company:

	Number of ordinary shares held					
Name of Director/Chief Executive	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of shares of the Company in issue
Li Tzar Kai, Richard	–	–	280,737,665 *(Note 1(a))*	1,796,588,679 *(Note 1(b))*	2,077,326,344	28.09%
Chan Ching Cheong, George *(Note 2(a))*	1,923,100	–	100,000 *(Note 2(b))*	8,376,862 *(Note 2(c))*	10,399,962	0.14%
Hui Hon Hing, Susanna	672,311	–	–	2,301,906 *(Note 3)*	2,974,217	0.04%
Lee Chi Hong, Robert	992,600 *(Note 4(a))*	511 *(Note 4(b))*	–	–	993,111	0.01%
Tse Sze Wing, Edmund	–	351,352 *(Note 5)*	–	–	351,352	0.005%
Dr The Hon Sir David Li Kwok Po	1,033,388	–	–	–	1,033,388	0.01%

Notes:

1. (a) Of these shares, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), held 245,863,867 shares and Eisner Investments Limited ("Eisner") held 34,873,798 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 159,953,389 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 159,953,389 shares of the Company held by PCGH;

   (iii) a deemed interest in 1,599,905,433 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 77.12% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,599,905,433 shares of the Company held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 0.93% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard; and

   (iv) a deemed interest in 3,000 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 3,000 shares of the Company held by PBI LLC in the capacity of investment manager.

2. (a) Chan Ching Cheong, George retired as an Executive Director and the Group Managing Director of the Company with effect from the end of July 13, 2014.

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

   (c) These interests represented share awards made to Chan Ching Cheong, George 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**". Chan Ching Cheong, George's interest in respect of 2,077,000 shares of the Company subsequently became vested on July 8, 2014.

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 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.4 Limited

FWD Life Insurance Company (Bermuda) Limited ("FWD") 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 an approximate 87.7% interest in FWD.

B. HKT Trust and HKT Limited

On June 13, 2014, the HKT Trust and HKT Limited announced a proposed rights issue (the "Rights Issue") which involved the issue of 1,155,011,542 new Share Stapled Units (the "Rights Share Stapled Units") at the subscription price of HK$6.84 per Rights Share Stapled Unit on the basis of 18 Rights Share Stapled Units for every 100 existing Share Stapled Units then held. The total number of 6,416,730,792 Share Stapled Units in issue as at June 30, 2014 was enlarged by the allotment of 1,155,011,542 Rights Share Stapled Units in fully-paid form on July 24, 2014. After completion of the Rights Issue on July 24, 2014, the total number of Share Stapled Units in issue was 7,571,742,334 (the "Enlarged Share Stapled Units").

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

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

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

The table below sets out the aggregate long positions in the Share Stapled Units and the nil-paid Rights Share Stapled Units ("NPRs") held by the directors and chief executives of the Company as at June 30, 2014:

Name of Director/Chief Executive	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the Enlarged Share Stapled Units*
	Number of Share Stapled Units and NPRs held					
Li Tzar Kai, Richard	–	–	209,511,414 *(Note 1(a))*	147,909,040 *(Note 1(b))*	357,420,454	4.72%
Chan Ching Cheong, George *(Note 2(a))*	54,767 *(Note 2(b))*	–	8,502 *(Note 2(c))*	142,061 *(Note 2(d))*	205,330	0.003%
Hui Hon Hing, Susanna	194,921 *(Note 3(a))*	–	–	442,275 *(Note 3(b))*	637,196	0.01%
Lee Chi Hong, Robert	50,924 *(Note 4(a))*	25 *(Note 4(b))*	–	–	50,949	0.0007%
Tse Sze Wing, Edmund	–	246,028 *(Note 5)*	–	–	246,028	0.003%
Dr The Hon Sir David Li Kwok Po	169,302 *(Note 6)*	–	–	–	169,302	0.002%

* Calculated based on the Enlarged Share Stapled Units pursuant to the SFO.

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) These interests represented:

    (i) 17,142,046 Share Stapled Units and the provisionally allotted 3,085,568 NPRs held by PCD. PCD subsequently accepted the NPRs in full;

    (ii) 39,000,000 Share Stapled Units and the provisionally allotted 7,020,000 NPRs held by Eisner. Eisner subsequently accepted the NPRs in full; and

    (iii) 121,410,000 Share Stapled Units and the provisionally allotted 21,853,800 NPRs held by FWD. FWD subsequently disposed of a total of 3,013,000 Share Stapled Units and all the NPRs in July 2014.

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

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

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

Notes: *(continued)*

1. (b) These interests represented:

   (i) deemed interests in 2,646,156 Share Stapled Units and the provisionally allotted 476,308 NPRs held by Yue Shun. Li Tzar Kai, Richard was deemed, under the SFO, to have interests in the 2,646,156 Share Stapled Units and the provisionally allotted 476,308 NPRs held by Yue Shun. Yue Shun subsequently accepted the NPRs in full;

   (ii) deemed interests in 11,152,220 Share Stapled Units and the provisionally allotted 2,007,399 NPRs held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have interests in the 11,152,220 Share Stapled Units and the provisionally allotted 2,007,399 NPRs held by PCGH. PCGH subsequently accepted the NPRs in full;

   (iii) deemed interests in 111,548,140 Share Stapled Units and the provisionally allotted 20,078,664 NPRs held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have interests in the 111,548,140 Share Stapled Units and the provisionally allotted 20,078,664 NPRs held by PCRD. PCRD subsequently accepted the NPRs in full; and

   (iv) deemed interests in 130 Share Stapled Units and the provisionally allotted 23 NPRs held by PBI LLC in the capacity of investment manager. Li Tzar Kai, Richard was deemed, under the SFO, to have interests in the 130 Share Stapled Units and the provisionally allotted 23 NPRs held by PBI LLC in the capacity of investment manager. The 23 NPRs subsequently lapsed on July 15, 2014.

2. (a) Chan Ching Cheong, George retired as an Executive Director and the Group Managing Director of the Company with effect from the end of July 13, 2014.

   (b) These interests represented 46,413 Share Stapled Units and the provisionally allotted 8,354 NPRs held by Chan Ching Cheong, George. Chan Ching Cheong, George subsequently accepted the NPRs in full.

   (c) These interests represented 7,205 Share Stapled Units and the provisionally allotted 1,297 NPRs held by Butternut. Butternut subsequently accepted the NPRs in full.

   (d) These interests represented a contingent interest in respect of 120,391 Share Stapled Units and the provisionally allotted 21,670 NPRs 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 45,152 Share Stapled Units subsequently became vested on July 8, 2014. Chan Ching Cheong, George subsequently ceased to have interest in the NPRs held under the share award scheme.

3. (a) These interests represented 165,187 Share Stapled Units and the provisionally allotted 29,734 NPRs held by Hui Hon Hing, Susanna. Hui Hon Hing, Susanna subsequently accepted the NPRs in full.

   (b) These interests represented awards in respect of 374,810 Share Stapled Units made to Hui Hon Hing, Susanna and a contingent interest in respect of the provisionally allotted 67,465 NPRs held on trust for Hui Hon Hing, Susanna, which were 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**". Hui Hon Hing, Susanna subsequently ceased to have interest in the NPRs held under the award scheme. An award in respect of 1,547,646 Share Stapled Units subject to certain vesting conditions was made to Hui Hon Hing, Susanna on July 1, 2014, out of which 193,456 Share Stapled Units became vested on the same day.

4. (a) These interests represented 43,156 Share Stapled Units and the provisionally allotted 7,768 NPRs held jointly by Lee Chi Hong, Robert and his spouse. Lee Chi Hong, Robert and his spouse subsequently accepted the NPRs in full.

   (b) These interests represented 22 Share Stapled Units and the provisionally allotted 3 NPRs held by the spouse of Lee Chi Hong, Robert. The spouse of Lee Chi Hong, Robert subsequently accepted the NPRs in full.

5. These interests represented 208,499 Share Stapled Units and the provisionally allotted 37,529 NPRs held by the spouse of Tse Sze Wing, Edmund. The spouse of Tse Sze Wing, Edmund subsequently accepted the NPRs in full.

6. These interests represented 143,477 Share Stapled Units and the provisionally allotted 25,825 NPRs held by Dr The Hon Sir David Li Kwok Po. Dr The Hon Sir David Li Kwok Po subsequently accepted the NPRs in full.

Save as disclosed in the foregoing, as at June 30, 2014, 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 (including the NPRs), underlying shares, underlying Share Stapled Units or 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 had a share option scheme which was adopted 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"). The 2004 Scheme was then terminated on May 8, 2014 following the adoption of the new share option scheme (the "2014 Scheme") which was approved by the shareholders of the Company at the annual general meeting of the Company held on the same day. Following the termination of both the 1994 Scheme and the 2004 Scheme, no further share options will be granted under such schemes, but in all other respects the provisions of such schemes will remain in full force and effect. Subject to the terms and conditions stipulated in the 2014 Scheme, the board of directors of the Company may, at its discretion, grant share options to any eligible participant to subscribe for shares of the Company.

As at January 1, 2014 and June 30, 2014, there were no outstanding share options under the 1994 Scheme, the 2004 Scheme and the 2014 Scheme. There were also no share options granted to or exercised by any directors or chief executives of the Company or employees of the Company and its subsidiaries (the "Group") or other participants nor cancelled or lapsed under the 1994 Scheme, the 2004 Scheme and the 2014 Scheme during the six months ended June 30, 2014.

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.

(i) Purchase Scheme

During the six months ended June 30, 2014, an aggregate of 3,839,278 shares of the Company and 17,188 Share Stapled Units were granted pursuant to the Purchase Scheme subject to certain vesting conditions, including awards in respect of 796,362 and 1,651,318 shares of the Company made respectively to Chan Ching Cheong, George (who subsequently retired as an Executive Director and the Group Managing Director of the Company with effect from the end of July 13, 2014) and Hui Hon Hing, Susanna (a director of the Company). Additionally, 77,065 shares of the Company have lapsed and/or been forfeited and 6,750,928 shares of the Company have vested; and no Share Stapled Units have lapsed and/or been forfeited and 8,725 Share Stapled Units have vested during the period. As at June 30, 2014, 15,564,188 shares of the Company and 25,913 Share Stapled Units granted pursuant to the Purchase Scheme remained unvested.

(ii) Subscription Scheme

During the six months ended June 30, 2014, an aggregate of 5,303,935 shares of the Company were granted pursuant to the Subscription Scheme subject to certain vesting conditions. Additionally, 40,504 shares of the Company have lapsed and/or been forfeited and no shares of the Company have vested during the period. As at June 30, 2014, 5,263,431 shares of the Company granted pursuant to the Subscription Scheme remained unvested. During the six months ended June 30, 2014, no Share Stapled Units have been granted to any employees of the Company and/or its subsidiaries under the Subscription Scheme. As at January 1, 2014 and June 30, 2014, none of the Share Stapled Units granted pursuant to the Subscription Scheme remained 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 on page 35.

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

2. HKT Trust and HKT Limited

A. Share Stapled Units Option Scheme

The HKT Trust and HKT 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, 2014.

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, 2014, an aggregate of 1,483,076 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 209,623 Share Stapled Units made to Hui Hon Hing, Susanna (a director of the Company). Additionally, 14,059 Share Stapled Units have lapsed and/or been forfeited and 1,767,120 Share Stapled Units have vested during the period. As at June 30, 2014, 2,657,879 Share Stapled Units granted pursuant to the HKT Share Stapled Units Purchase Scheme remained 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, 2014. 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 on page 35.

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 then 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.

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

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

Share Option Schemes *(continued)*

Details of the share options outstanding under the 2003 PCPD Scheme and movements during the six months ended June 30, 2014 are as follows:

2003 PCPD Scheme

(1) Outstanding options as at January 1, 2014 and as at June 30, 2014

Name or category of participant	Date of grant *(Note)*	Vesting period *(Note)*	Exercise period *(Note)*	Exercise price HK$	Number of options Outstanding as at 01.01.2014	Outstanding as at 06.30.2014
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.

As at June 30, 2014, 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, 2014

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

(3) Options exercised during the six months ended June 30, 2014

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

(4) Options cancelled or lapsed during the six months ended June 30, 2014

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, 2014, 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(s)*	Number of shares/underlying shares held	Approximate percentage of the total number of shares of the Company in issue
Interests			
PCRD		1,599,905,433	21.63%
PCGH	*1*	1,759,858,822	23.79%
Star Ocean Ultimate Limited	*2 and 3*	1,759,858,822	23.79%
The Ocean Trust	*2*	1,759,858,822	23.79%
The Starlite Trust	*2*	1,759,858,822	23.79%
OS Holdings Limited	*2*	1,759,858,822	23.79%
Ocean Star Management Limited	*2*	1,759,858,822	23.79%
The Ocean Unit Trust	*2*	1,759,858,822	23.79%
The Starlite Unit Trust	*2*	1,759,858,822	23.79%
Star Ocean Ultimate Holdings Limited	*3*	1,759,858,822	23.79%
Fung Jenny Wai Ling	*4*	1,759,858,822	23.79%
Huang Lester Garson	*4*	1,759,858,822	23.79%
中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited#) ("Unicom")	*5*	1,343,571,766	18.16%

Notes:

1. These interests represented (i) PCGH's beneficial interests in 159,953,389 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 77.12% of the issued share capital of PCRD) in 1,599,905,433 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. On November 4, 2013, Star Ocean Ultimate Limited became a controlled corporation of Star Ocean Ultimate Holdings Limited.

4. Fung Jenny Wai Ling and Huang Lester Garson were deemed to be interested in such shares under the SFO as each of them controlled the exercise of one-third or more of the voting power at general meetings of each of Ocean Star Investment Management Limited, OS Holdings Limited and Star Ocean Ultimate Holdings Limited.

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

For identification only

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

As at June 30, 2014, 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 the total number of shares of the Company in issue
Interests			
Ocean Star Investment Management Limited	*Note*	1,759,858,822	23.79%

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, 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2014, 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, 2014. 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 adopted its own code of conduct regarding securities transactions, namely the PCCW Code of Conduct for Securities Transactions (the "PCCW Code"), which applies to all directors and employees of the Company in terms no less exacting than the required standard indicated by the Model Code.

Having made specific inquiries of all the 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, 2014.

INVESTOR RELATIONS

DIRECTORS

The directors of the Company as at the date of the announcement of the 2014 Interim Results are:

Executive Directors:
Li Tzar Kai, Richard *(Chairman)*
Srinivas Bangalore Gangaiah (aka BG Srinivas) *(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
Zhang Junan
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
David Christopher Chance

GROUP COMPANY SECRETARY

Philana WY Poon

REGISTERED OFFICE

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Quarry Bay, Hong Kong
Telephone: +852 2888 2888
Fax: +852 2877 8877

INTERIM REPORT 2014

This Interim Report 2014 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 2014 using electronic means through the website of the Company may request a printed copy, or
B) received the Interim Report 2014 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 2014) using electronic means through the Company's website and who, for any reason, have difficulty in receiving or gaining access to the Interim Report 2014 will promptly, upon request in writing or by email to the Company's Share Registrar, be sent the Interim Report 2014 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
P.O. Box 43077
Providence, Rhode Island 02940-3077, USA
Telephone: +1 877 248 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, 2014:	7,396,535,348 shares

DIVIDEND

Interim dividend per ordinary share for the six months ended June 30, 2014:	6.99 HK cents

FINANCIAL CALENDAR

Announcement of 2014 Interim Results	August 6, 2014
Closure of register of members	August 27-28, 2014 (both days inclusive)
Record date for 2014 interim dividend	August 28, 2014
Payment of 2014 interim dividend	On or around October 7, 2014
Announcement of 2014 Annual Results	February 2015

INVESTOR RELATIONS

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Telephone: +852 2514 5084
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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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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).