PCCW

Interim Report 2015

Stock Code: 0008

CONTENTS

CORPORATE PROFILE

PCCW Limited (PCCW or the Company) is a global company headquartered in Hong Kong 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.

PCCW employs approximately 23,300 staff representing 50 nationalities. A majority of our employees are based in Hong Kong and mainland China, while we also maintain a presence in about 40 other countries around the globe.

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, 2015
In HK$ million (except for per share data)

	2014 (Unaudited)	**2015 (Unaudited)**
Revenue		
Core revenue*	14,440	**17,983**
PCPD	224	**99**
	14,664	**18,082**
Cost of sales	(6,782)	**(8,027)**
General and administrative expenses	(6,025)	**(7,298)**
Other gains, net	688	**60**
Interest income	45	**35**
Finance costs	(573)	**(764)**
Share of results of associates	(5)	**19**
Share of results of joint ventures	14	**(6)**
Profit before income tax	2,026	**2,101**
Income tax	(385)	**(209)**
Profit for the period	1,641	**1,892**
Attributable to:		
Equity holders of the Company	1,058	**1,070**
Non-controlling interests	583	**822**
Earnings per share (in HK cents)		
Basic	14.57	**14.39**
Diluted	14.55	**14.36**
Dividend per share (in HK cents)		
Interim dividend	6.99	**7.96**
EBITDA[1]		
Core EBITDA*	4,457	**5,784**
PCPD	(81)	**(101)**
	4,376	**5,683**

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

STATEMENT FROM THE CHAIRMAN

I am pleased to report satisfactory financial results of the core businesses of PCCW for the six months ended June 30, 2015.

Providing viewers with a great variety of quality content, now TV recorded further gains in ARPU (average revenue per user) during the period across a customer base of nearly 1.3 million. Our strategy is to grow the online, mobile and OTT (over-the-top) video and music businesses while maintaining our leadership in the pay-TV market in Hong Kong. In this connection, PCCW Media acquired in March a leading mobile video-on-demand service, Vuclip, which will accelerate the development of our digital OTT service in the region.

Meanwhile, preparation for the launch of free TV service has been actively in progress since the Government's formal grant of a license to HK Television Entertainment Company Limited (HKTVE) in April. On July 31, the Government announced it would grant to HKTVE broadcast spectrum for the delivery of its service.

PCCW Solutions saw continued growth in the first half. It has strengthened its management resources to facilitate digital transformation of enterprises and tap the growing demand for enterprise solutions in Hong Kong as well as mainland China. In June, it enhanced its commerce and marketing solutions offerings to help enterprises in a range of industries manage their customer relationships and deploy next-generation solutions in the cloud or on-premise.

HKT reported a set of solid results for the first half, driven by its robust fixed broadband business despite unrelenting market competition, the enlarged mobile business and synergies arising from the integration of the CSL business, as well as steady growth of the international connectivity business. HKT will continue to innovate and to provide customers with the best networks and best services.

The property business of the Group, Pacific Century Premium Developments, made good construction progress with its Premium Grade A building in Jakarta, Indonesia, and is stepping up development of the Hokkaido resort project in Japan. The company will continue to identify new development and investment opportunities around the world.

The global economic recovery is still faced with various uncertainties and the Hong Kong economy remains slow. We will monitor local and external conditions closely, and shall continue to remain relevant to our customers by building value-added services and maintaining our leadership in the market.

Richard Li
Chairman
August 6, 2015

STATEMENT FROM THE GROUP MANAGING DIRECTOR

It is my pleasure to report that the Group's businesses made good progress in developing their objectives and plans during the first half of 2015.

ACCELERATING OTT MEDIA PLATFORM DEVELOPMENT

As Hong Kong's largest pay-TV operator, now TV continued to grow this year based on the most comprehensive content in the market and its leading TV-everywhere offering as mobile apps and on multi-screens that meets the needs of viewers' media consumption habits. It recorded a further increase in ARPU (average revenue per user) on the back of a substantial customer base of almost 1.3 million. The introduction of simplified pricing tiers and re-packaging of the TV channel offerings during the period have been well received by the market, while creating opportunities for up-sell.

In April, the Government formally granted a Domestic Free Television Programme Service License to HK Television Entertainment Company Limited (HKTVE) for a period of 12 years. Preparation for the launch of the service by April 2016 is actively underway. We are happy to note that on July 31, the Government decided to assign to HKTVE 0.5 MFN (multiple frequency network) of the broadcast spectrum to be released from an exiting licensee. HKTVE will be able to reach a larger audience in the shortest time via digital terrestrial television transmission. HKTVE is studying the proposed terms and conditions of the allocation and looks forward to finalizing the free TV license. HKTVE notes that the spectrum to be granted to it is one-third of the spectrum to be released from the exiting licensee, and hopes the Government will continue to assess the equitable allocation of spectrum.

The media business has also set its vision outside Hong Kong with the goal of offering industry leading OTT (over-the-top) services in Asia and beyond. In March, the media business entered into an agreement to acquire a controlling majority interest in a leading mobile video-on-demand service platform with a view to furthering its OTT expansion strategy. The Silicon Valley-based company, Vuclip, has more than seven million subscribers and an extensive footprint spanning India, Indonesia, Malaysia, Thailand, the United Arab Emirates and Egypt, with rollout plans for other Southeast Asian markets in 2015.

Vuclip's patented Dynamic Adaptive Transcoding technology can deliver high-quality video content across variable network conditions, uniquely addressing such challenges in emerging markets. Furthermore, its integrated billing solution developed with telecom partners in various markets will enable us to fast track our OTT video and music service expansion and the development of a platform that provides immediate access to PCCW Media's premium Asian content set across a much expanded audience base in the Asian continent, the Middle East and other regions.

MEETING ENTERPRISE SOLUTIONS NEEDS

The Group's enterprise IT service flagship, PCCW Solutions, continued to record satisfactory results due to organic growth during the first half under a strengthened top management team. The company registered a number of contract renewals and new wins including long-term projects in both the private and the public sectors in Hong Kong.

In mainland China, PCCW Solutions also benefited from the growing demand for enterprise applications. Its next-generation core banking solutions were well received in particular by auto finance and peer-to-peer finance entities. PCCW Solutions has boosted its resources with a focus on tapping the application and cloud services demand in the mid-market in Hong Kong and mainland China.

As customers are digitally connected and socially networked, the need for enterprise solutions that simplify engagement with customers and create a holistic customer view across marketing, commerce, sales, and service interactions has been growing quickly. In June, PCCW Solutions extended its partnership with SAP by announcing collaboration with hybris software to grow and enhance the commerce and marketing solutions for enterprises in Hong Kong and mainland China. We will leverage our respective industry and solutions expertise and develop integrated go-to-market strategies for consumer products, wholesale, logistics, retail and manufacturing industries.

MARKET-LEADING TELECOM SERVICES

HKT's various lines of business continued to perform well against a soft local economy and sustained market competition.

The fixed broadband business continued its steady growth in both the residential and commercial markets, maintaining a strong customer base which contributes a solid cashflow to the Group. During the period, we again recorded an increase in the number of customers using our genuine fiber-to-the-home (FTTH) service, which represents a growth driver for the business. A new 10Gbps fiber broadband service has been commercially launched in the third quarter of 2015.

HKT has been on track in the integration of CSL to release synergies and to enhance customers' mobile experience. In April, we successfully demonstrated our LTE-A 450Mbps network capability, and expect to activate commercial service once compatible smartphones become available in 2016.

Recently, we have introduced a payment service, branded as Tap & Go, whereby customers can use a Near Field Communication (NFC)-enabled mobile phone with an all-in-one SIM card to make payments at more than three million retail outlets in Hong Kong and overseas, for online purchase, and even to instantly transfer money to friends via phone-to-phone connection.

PCCW Global also delivered encouraging operational performance in the first half on growing international connectivity demand by enterprises and carriers in its expanding footprint.

PROPERTY DEVELOPMENT AND INVESTMENT

The property business of the Group, Pacific Century Premium Developments (PCPD), continued with the development of its premium office project in Indonesia and the resorts in Japan and Thailand.

The Jakarta project proceeded well with the completion of the foundation and two basement levels. Our aim is to construct a Premium Grade A office building that meets some of the highest international standards in environmental protection and sustainable development. PCPD is confident that the building will become fully operational in 2017. A number of corporations have expressed interest in renting office space in the building, while a letter of intent with an international banking group has already been signed.

PCPD is stepping up development of the Hokkaido resort project, having signed a letter of intent with a 5-star hotel management group. Meanwhile, preparation of the Phang-nga project is also underway as scheduled.

Property development and investment remain the core business of PCPD, which is currently looking for new opportunities around the world to leverage its brand and successful track record.

OUTLOOK

The investments in the Media OTT video platform, the expanded suite of e-commerce solutions and the new mobile payment service have demonstrated the Group's resolve to address the needs of consumers and enterprises as they embrace the digital lifestyle. We will continue on our journey to becoming the digital transformation partner of choice of our customers.

The media business continues to strengthen now TV's content set with exclusive sports and other genres in its bid to maintain its leading position in Hong Kong's pay-TV market, while developing new initiatives to provide extra momentum for growth.

PCCW Solutions will apply its enhanced capabilities and target industry segments in Hong Kong and mainland China that have the greatest need for enterprise IT solutions to enhance customer experience, drive new streams of revenue, increase automation and reduce costs.

On telecommunications, our continuous enhancement of user experience in both fixed and mobile services – such as the 10Gbps broadband and the mobile payment services – will fuel further growth of these segments.

In the second half of 2015, the local economic outlook appears to stay modest and there are uncertainties affecting the pace of the global economic recovery. With our sound operational and financial metrics, PCCW Group is ready and well positioned for any challenges and opportunities that may arise.

BG Srinivas
Group Managing Director
August 6, 2015

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard
Chairman

Mr Li, aged 48, 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 an Independent Non-Executive Director of The Bank of East Asia, Limited. He is also 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 54, 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 50, 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 64, 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 80, 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 77, 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. 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 Chairman and Chief Executive Officer of American International Assurance Company, Limited and from 2005 until April 2015, he was the Chairman of The Philippine American Life and General Insurance Company. 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 Director of Bridge Holdings Company 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 51, 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 52, 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.

ZHANG Junan

Non-Executive Director

Mr Zhang, aged 58, 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 an Executive Director and Senior Vice President of China Unicom (Hong Kong) Limited (Unicom HK). 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.

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.

WEI Zhe, David

Non-Executive Director

Mr Wei, aged 44, 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, the then 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 and 500.com Limited which are listed on the New York Stock Exchange, and Shanghai M&G Stationery Inc. which is listed on the Shanghai 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.

For identification only

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr The Hon Sir David LI Kwok Po, GBM, GBS, OBE, JP
Independent Non-Executive Director
Sir David, aged 76, 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 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 China Overseas Land & Investment Limited, AFFIN Holdings Berhad and CaixaBank, S.A.

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 68, 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 53, was appointed an Independent Non-Executive Director of PCCW in March 2012 and is the Chairwoman of the Regulatory Compliance Committee, and a member of the Nomination Committee and the Remuneration Committee of the Board. She is also an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, and the Chairwoman of HKT's Remuneration Committee, and 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 50, 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 54, 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 is a director of ÖstVāst Capital Management. He is 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 was 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 58, 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 is also a Non-Executive Director of Olswang LLP, an international law firm. 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 25% to HK$17,983 million; consolidated revenue (including PCPD) increased by 23% to HK$18,082 million
- Core EBITDA increased by 30% to HK$5,784 million; consolidated EBITDA (including PCPD) increased by 30% to HK$5,683 million
- Consolidated profit attributable to equity holders of the Company increased by 1% to HK$1,070 million; basic earnings per share amounted to 14.39 HK cents
- Interim dividend of 7.96 HK cents per ordinary share

MANAGEMENT REVIEW

PCCW registered a satisfactory result for the six months ended June 30, 2015 demonstrating the operational and financial resilience across all of our core business lines.

Core revenue for the six months ended June 30, 2015 increased by 25% to HK$17,983 million. Core EBITDA increased by 30% to HK$5,784 million. These results reflect the benefits of the successful integration of CSL since the completion of the acquisition in May 2014, the continued investment in new initiatives in our Media business and the steady growth in our Solutions business.

Including PCPD, consolidated revenue for the six months ended June 30, 2015 increased by 23% to HK$18,082 million and consolidated EBITDA increased by 30% to HK$5,683 million. Consolidated profit attributable to equity holders of the Company increased by 1% to HK$1,070 million. Basic earnings per share were 14.39 HK cents.

The board of Directors (the "Board") has resolved to declare an interim dividend of 7.96 HK cents per ordinary share for the six months ended June 30, 2015.

OUTLOOK

The investments in the Media over-the-top ("OTT") video platform, the expanded suite of e-commerce solutions and the new mobile payment service have demonstrated the Group's resolve to address the needs of consumers and enterprises as they embrace the digital lifestyle. We will continue on our journey to becoming the digital transformation partner of choice of our customers.

The Media business continues to strengthen now TV's content set with exclusive sports and other genres in its bid to maintain its leading position in Hong Kong's pay-TV market, while developing new initiatives to provide extra momentum for growth.

PCCW Solutions will apply its enhanced capabilities and target industry segments in Hong Kong and mainland China that have the greatest need for enterprise IT solutions to enhance customer experience, drive new streams of revenue, increase automation and reduce costs.

On telecommunications, our continuous enhancement of user experience in both fixed and mobile services – such as the 10Gbps broadband and the mobile payment services – will fuel further growth of these segments.

In the second half of 2015, the local economic outlook appears to stay modest and there are uncertainties affecting the pace of the global economic recovery. With our sound operational and financial metrics, PCCW Group is ready and well positioned for any challenges and opportunities that may arise.

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, 2014	December 31, 2014	**June 30, 2015**	Better/ (Worse) y-o-y
Revenue				
HKT	12,520	16,303	**15,974**	28%
Media Business	1,487	1,744	**1,590**	7%
Solutions Business	1,459	1,911	**1,500**	3%
Other Businesses	18	26	**25**	39%
Eliminations	(1,044)	(1,462)	**(1,106)**	(6)%
Core revenue	14,440	18,522	**17,983**	25%
PCPD	224	91	**99**	(56)%
Consolidated revenue	14,664	18,613	**18,082**	23%
Cost of sales	(6,782)	(8,369)	**(8,027)**	(18)%
Operating costs before depreciation, amortization, and (loss)/gain on disposal of property, plant and equipment, net	(3,506)	(4,280)	**(4,372)**	(25)%
EBITDA[1]				
HKT	4,425	5,817	**5,770**	30%
Media Business	180	272	**182**	1%
Solutions Business	232	390	**246**	6%
Other Businesses	(301)	(329)	**(324)**	(8)%
Eliminations	(79)	(101)	**(90)**	(14)%
Core EBITDA[1]	4,457	6,049	**5,784**	30%
PCPD	(81)	(85)	**(101)**	(25)%
Consolidated EBITDA[1]	4,376	5,964	**5,683**	30%
Core EBITDA[1] margin	*31%*	*33%*	***32%***	
Consolidated EBITDA[1] margin	*30%*	*32%*	***31%***	
Depreciation and amortization	(2,517)	(3,786)	**(2,930)**	(16)%
(Loss)/Gain on disposal of property, plant and equipment, net	(2)	–	**4**	NA
Other gains, net	688	2,029	**60**	(91)%
Interest income	45	45	**35**	(22)%
Finance costs	(573)	(845)	**(764)**	(33)%
Share of results of associates and joint ventures	9	41	**13**	44%
Profit before income tax	2,026	3,448	**2,101**	4%

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

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

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

HKT

For the six months ended HK$ million	June 30, 2014	December 31, 2014	**June 30, 2015**	Better/ (Worse) y-o-y
HKT Revenue	12,520	16,303	**15,974**	28%
HKT EBITDA[1]	4,425	5,817	**5,770**	30%
HKT EBITDA[1] margin	*35%*	*36%*	***36%***	
HKT Adjusted Funds Flow	1,590	1,764	**1,953**	23%

HKT reported solid financial results during the six months ended June 30, 2015 demonstrating its strong market position across all of its lines of business and the successful integration of CSL since the completion of the acquisition in May 2014.

Total revenue for the six months ended June 30, 2015 increased by 28% to HK$15,974 million and total EBITDA for the period was HK$5,770 million, an increase of 30% over the same period in 2014. Adjusted funds flow for the six months ended June 30, 2015 reached HK$1,953 million, an increase of 23% over the same period in 2014.

HKT announced an interim distribution of 25.79 HK cents per share stapled unit.

For a more detailed review of the performance of HKT, please refer to its 2015 interim results announcement released on August 5, 2015.

Media Business

For the six months ended HK$ million	June 30, 2014	December 31, 2014	**June 30, 2015**	Better/ (Worse) y-o-y
Media Business Revenue	1,487	1,744	**1,590**	7%
Media Business EBITDA[1]	180	272	**182**	1%
Media Business EBITDA[1] margin	*12%*	*16%*	***11%***	

Revenue for the Media business for the six months ended June 30, 2015 increased by 7% to HK$1,590 million from HK$1,487 million a year earlier, driven by a 6% revenue growth in its core pay-TV business and a 17% revenue growth in new business initiatives such as OTT.

The steady growth in the core pay-TV business was underpinned by an expansion of average revenue per user ("ARPU") across its substantial customer base. The total installed now TV subscriber base reached 1,292,000 by the end of June 2015, representing a net gain of 23,000 subscribers or an increase of 2% from 12 months ago. now TV's exit ARPU continued to increase, rising 3% year-on-year from HK$191 to HK$196 per month reflecting the positive impact from our newly introduced pay-TV packages with simplified pricing.

During the first half of 2015, the Group acquired Vuclip, Inc. ("Vuclip"), a leading premium mobile video-on-demand service provider for emerging markets, with a view to furthering the OTT expansion strategy of the Media business. Vuclip currently has more than seven million subscribers and an extensive footprint spanning India, Indonesia, Malaysia, Thailand, the United Arab Emirates and Egypt.

EBITDA for the six months ended June 30, 2015 was HK$182 million as compared to HK$180 million a year earlier, reflecting investments made in new business initiatives as well as costs incurred in the preparation for the launch of the free TV business.

Solutions Business

For the six months ended HK$ million	June 30, 2014	December 31, 2014	**June 30, 2015**	Better/ (Worse) y-o-y
Solutions Business Revenue	1,459	1,911	**1,500**	3%
Solutions Business EBITDA[1]	232	390	**246**	6%
Solutions Business EBITDA[1] margin	*16%*	*20%*	***16%***	

Revenue generated by the Solutions business for the six months ended June 30, 2015 increased by 3% to HK$1,500 million from HK$1,459 million a year ago. Of the revenue generated in the first half of 2015, 60% was of a recurring nature while 40% was project based.

The Solutions business maintained a well diversified business across a wide range of service offerings. Revenue by service line for the six months ended June 30, 2015 was: Cloud Solutions & Infrastructure 30%, Enterprise Applications 25%, Technical Services 23%, Application Development & Maintenance 14% and Business Process Outsourcing 8%. Revenue by client industry for the six months ended June 30, 2015 was: Public Sector 34%, Telecommunications 31%, Hi-Tech & Media 11%, Travel and Hospitality 8%, Banking/Financial Services & Insurance 6%, Retail and Manufacturing 6% and other industries 4%.

EBITDA for the six months ended June 30, 2015 increased by 6% to HK$246 million from HK$232 million a year ago, with the margin maintained at 16%.

As at June 30, 2015, the Solutions business had secured orders with a value of HK$5,260 million.

PCPD

PCPD recorded total revenue of HK$99 million and negative EBITDA of HK$101 million for the six months ended June 30, 2015, compared with total revenue of HK$224 million and negative EBITDA of HK$81 million a year earlier.

PCPD's development of a Grade A office building in the central business district of Jakarta, Indonesia continued to make encouraging progress. After the completion of the foundation and the basement wall, the construction works of two basement levels were completed as at June 30, 2015. Construction of additional levels is underway and the building is expected to become operational in 2017. The resort projects in Hokkaido, Japan, and Phang-nga, Thailand, also proceeded in accordance with their respective schedules.

After the disposal of Pacific Century Place, Beijing, PCPD is able to maintain current operations and will prudently consider potential projects within its cash level and appropriate leverage.

For more information about the performance of PCPD, please refer to its 2015 interim results announcement released on August 5, 2015.

Other Businesses

Other Businesses primarily comprised the wireless broadband business in the United Kingdom and corporate support functions. Revenue from Other Businesses was HK$25 million for the six months ended June 30, 2015 (June 30, 2014: HK$18 million), while the cost of the Group's Other Businesses was HK$324 million (June 30, 2014: HK$301 million).

Eliminations

Eliminations for the six months ended June 30, 2015 were HK$1,106 million (June 30, 2014: HK$1,044 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, 2014	December 31, 2014	**June 30, 2015**	Better/ (Worse) y-o-y
The Group (excluding PCPD)	6,730	8,340	**8,003**	(19)%
PCPD	52	29	**24**	54%
Group Total	6,782	8,369	**8,027**	(18)%

The Group's consolidated total cost of sales for the six months ended June 30, 2015 increased by 18% year-on-year to HK$8,027 million. This comprised a 19% 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 (loss)/gain on disposal of property, plant and equipment, net, increased by 25% year-on-year to HK$4,372 million due largely to the enlarged business scale of HKT following the CSL acquisition as well as investments in resources to support the new initiatives in OTT and free TV for Media and expansion of business in China for Solutions. Operating costs to revenue ratio was stable at 24%.

Depreciation and amortization expenses increased by 16% year-on-year to HK$2,930 million for the six months ended June 30, 2015, which reflected higher customer acquisition costs in the prior year due to the enlarged business scale following the CSL acquisition.

As a result, general and administrative expenses increased by 21% year-on-year to HK$7,298 million for the six months ended June 30, 2015.

EBITDA[1]

Benefiting from the robust performance of HKT's business, core EBITDA for the six months ended June 30, 2015 increased by 30% year-on-year to HK$5,784 million representing a stable margin of 32%. Consolidated EBITDA increased by 30% year-on-year to HK$5,683 million for the period representing a margin of 31%.

Interest Income and Finance Costs

Interest income for the six months ended June 30, 2015 was HK$35 million and finance costs increased by 33% year-on-year to HK$764 million due to the incurrence of interest on the borrowings raised to finance the CSL acquisition and the recognition of additional finance costs associated with the spectrum license fees arising from the CSL acquisition. As a result, net finance costs increased by 38% year-on-year to HK$729 million for the six months ended June 30, 2015.

Income Tax

Income tax expenses for the six months ended June 30, 2015 was HK$209 million, as compared to HK$385 million a year ago, representing an effective tax rate of 10% for the period. The decrease in the tax expenses is mainly due to recognition of deferred income tax assets resulting from certain loss-making companies turning profitable and prior year's provision of overseas tax from the disposition of an overseas subsidiary.

Non-controlling Interests

Non-controlling interests were HK$822 million for the six months ended June 30, 2015 (June 30, 2014: HK$583 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, 2015 increased by 1% year-on-year to HK$1,070 million (June 30, 2014: HK$1,058 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.

During the first half of 2015, HKT took advantage of the favorable interest rate environment and raised a total of approximately US$1,013 million through the issuance of US$300 million in 15-year, zero coupon guaranteed notes, US$500 million in 10-year, 3.625% guaranteed notes and €200 million in 12-year, 1.65% guaranteed notes. During this period, PCCW also raised US$100 million through the issuance of 15-year, zero coupon guaranteed notes. The use of proceeds was for general corporate purposes including the refinancing of outstanding debt. The Group's gross debt[2] increased to HK$42,946 million as at June 30, 2015 (December 31, 2014: HK$41,957 million). Cash and cash equivalents totaled HK$6,567 million as at June 30, 2015 (December 31, 2014: HK$7,943 million).

The Group's gross debt[2] to total assets was 58% as at June 30, 2015 (December 31, 2014: 57%).

As at July 31, 2015, the Group had a total of HK$38,146 million in committed bank loan facilities available for liquidity management, of which HK$14,217 million remained undrawn. Of these committed bank loan facilities, HKT accounted for HK$27,147 million, of which HK$6,003 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2015, Hong Kong Telecommunications (HKT) Limited, an indirect non-wholly owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB).

CAPITAL EXPENDITURE[3]

Group capital expenditure for the six months ended June 30, 2015 was HK$1,548 million (June 30, 2014: HK$1,469 million), of which HKT accounted for about 85% for the period (June 30, 2014: 78%). A significant proportion of the capital investments made by the Group in the first six months of 2015 was attributable to the network integration work for the Mobile business as well as to satisfy demand for our high speed broadband fiber services and international voice and data connectivity services. The remainder of the investments was to expand the data center capacity of the Solutions business and to upgrade the broadcasting equipment for the Media business. Capital expenditure for the Solutions business tapered down in the first six months of 2015 compared to the same period in 2014 as we are close to completing the data center investment cycle that commenced almost two years ago.

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 provide 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 foreign currency including United States dollars. Accordingly, the Group has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at June 30, 2015, all forward contracts and cross currency interest rate swap contracts were designated as cash flow hedges and/or fair value hedges for the Group's foreign currency denominated short-term and long-term borrowings.

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

CHARGE ON ASSETS

As at June 30, 2015, certain assets of the Group with an aggregate carrying value of HK$2,233 million (December 31, 2014: HK$2,050 million) and performance guarantee of approximately HK$162 million (December 31, 2014: HK$166 million) in relation to the construction of a Premium Grade A office building in Jakarta, Indonesia were pledged to secure certain bank loan facilities of the Group.

CONTINGENT LIABILITIES

HK$ million	As at December 31, 2014 (Audited)	**As at June 30, 2015 (Unaudited)**
Performance guarantees	2,338	**2,369**
Tender guarantees	52	**52**
Others	99	**89**
	2,489	**2,510**

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

The Group had over 23,300 employees as at June 30, 2015 (June 30, 2014: 23,000) located in over 40 countries and cities. About 64% 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 revenue, EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units and employees.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 7.96 HK cents (June 30, 2014: 6.99 HK cents) per ordinary share for the six months ended June 30, 2015 to shareholders whose names appear on the register of members of the Company on Thursday, August 27, 2015. The interim dividend will be payable in cash with an option to eligible shareholders to participate in a scrip dividend alternative (the "2015 Interim Scrip Dividend Scheme"). The 2015 Interim Scrip Dividend Scheme is conditional upon The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the 2015 Interim Scrip Dividend Scheme. Full details of the 2015 Interim Scrip Dividend Scheme will be set out in a circular to be despatched to shareholders on or around Monday, September 7, 2015.

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2015

In HK$ million (except for earnings per share)	Note(s)	2014 (Unaudited)	**2015 (Unaudited)**
Revenue	2	14,664	**18,082**
Cost of sales		(6,782)	**(8,027)**
General and administrative expenses		(6,025)	**(7,298)**
Other gains, net	3	688	**60**
Interest income		45	**35**
Finance costs		(573)	**(764)**
Share of results of associates		(5)	**19**
Share of results of joint ventures		14	**(6)**
Profit before income tax	2, 4	2,026	**2,101**
Income tax	5	(385)	**(209)**
Profit for the period		1,641	**1,892**
Attributable to:			
Equity holders of the Company		1,058	**1,070**
Non-controlling interests		583	**822**
Profit for the period		1,641	**1,892**
Earnings per share	7		
Basic		14.57 cents	**14.39 cents**
Diluted		14.55 cents	**14.36 cents**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2015

In HK$ million	2014 (Unaudited)	**2015 (Unaudited)**
Profit for the period	1,641	**1,892**
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to income statement:		
Exchange differences on translating foreign operations	(231)	**(180)**
Available-for-sale financial assets:		
– changes in fair value	(16)	**(59)**
Cash flow hedges:		
– effective portion of changes in fair value	5	**(168)**
– transfer from equity to income statement	–	**(36)**
Other comprehensive loss for the period	(242)	**(443)**
Total comprehensive income for the period	1,399	**1,449**
Attributable to:		
Equity holders of the Company	854	**725**
Non-controlling interests	545	**724**
Total comprehensive income for the period	1,399	**1,449**

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, 2015

In HK$ million	Note	The Group As at December 31, 2014 (Audited)	The Group As at June 30, 2015 (Unaudited)	The Company As at December 31, 2014 (Audited)	The Company As at June 30, 2015 (Unaudited)
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		17,337	**17,878**	–	**–**
Investment properties		1,878	**1,910**	–	**–**
Interests in leasehold land		464	**453**	–	**–**
Properties held for/under development		895	**875**	–	**–**
Goodwill		17,075	**18,201**	–	**–**
Intangible assets		10,195	**10,590**	–	**–**
Interests in subsidiaries		–	**–**	17,072	**17,072**
Interests in associates		687	**731**	–	**–**
Interests in joint ventures		497	**498**	–	**–**
Held-to-maturity investments		1	**–**	–	**–**
Available-for-sale financial assets		754	**736**	–	**–**
Derivative financial instruments		–	**90**	–	**–**
Deferred income tax assets		1,059	**1,151**	–	**–**
Other non-current assets		806	**782**	–	**–**
		51,648	**53,895**	17,072	**17,072**
Current assets					
Amounts due from subsidiaries		–	**–**	16,484	**17,881**
Sales proceeds held in stakeholders' accounts		528	**523**	–	**–**
Restricted cash		1,022	**96**	–	**–**
Prepayments, deposits and other current assets		6,429	**6,603**	38	**24**
Inventories		801	**1,006**	–	**–**
Amounts due from related companies		95	**114**	–	**–**
Derivative financial instruments		49	**97**	–	**–**
Trade receivables, net	8	4,497	**4,792**	–	**–**
Tax recoverable		27	**25**	–	**–**
Short-term deposits		–	**350**	–	**–**
Cash and cash equivalents		7,943	**6,567**	1,093	**998**
		21,391	**20,173**	17,615	**18,903**
Current liabilities					
Short-term borrowings	10	(4,823)	**(11,065)**	(946)	**–**
Trade payables	9	(2,331)	**(2,913)**	–	**–**
Accruals and other payables		(6,787)	**(6,080)**	(11)	**(10)**
Amount payable to the Government under the Cyberport Project Agreement		(522)	**(322)**	–	**–**
Carrier licence fee liabilities		(429)	**(445)**	–	**–**
Amounts due to related companies		(98)	**(70)**	–	**–**
Advances from customers		(2,155)	**(2,183)**	–	**–**
Current income tax liabilities		(1,873)	**(1,618)**	–	**–**
		(19,018)	**(24,696)**	(957)	**(10)**

In HK$ million	Note	The Group As at December 31, 2014 (Audited)	The Group As at June 30, 2015 (Unaudited)	The Company As at December 31, 2014 (Audited)	The Company As at June 30, 2015 (Unaudited)
Non-current liabilities					
Long-term borrowings	10	(36,494)	**(31,154)**	(1,778)	**(2,697)**
Amounts due to subsidiaries		–	**–**	(2,167)	**(2,934)**
Derivative financial instruments		(217)	**(478)**	(117)	**(159)**
Deferred income tax liabilities		(2,501)	**(2,702)**	–	**–**
Deferred income		(1,033)	**(960)**	–	**–**
Defined benefit liability		(116)	**(117)**	–	**–**
Carrier licence fee liabilities		(949)	**(921)**	–	**–**
Other long-term liabilities		(342)	**(441)**	–	**–**
		(41,652)	**(36,773)**	(4,062)	**(5,790)**
Net assets		12,369	**12,599**	29,668	**30,175**
CAPITAL AND RESERVES					
Share capital	11	11,720	**12,209**	11,720	**12,209**
Other reserves		(1,563)	**(1,877)**	17,948	**17,966**
Equity attributable to equity holders of the Company		10,157	**10,332**	29,668	**30,175**
Non-controlling interests		2,212	**2,267**	–	**–**
Total equity		12,369	**12,599**	29,668	**30,175**

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, 2015

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/(loss) for the period															
Profit for the period	–	–	–	–	–	–	–	–	–	–	1,058	1,058	583	1,641	2,646
Other comprehensive (loss)/income															
Items that have been reclassified or 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 shares of PCCW Limited ("PCCW Shares") under share award scheme	–	–	–	–	(4)	–	–	–	–	–	–	(4)	–	(4)	–
Employee share-based compensation	–	–	–	–	–	22	–	–	–	–	–	22	3	25	–
Vesting of PCCW Shares and share stapled units of HKT Trust and HKT Limited ("Share Stapled Units") under share award schemes	–	–	–	–	24	(28)	–	–	–	–	5	1	(1)	–	–
Dividend for Share Stapled Units granted under share award schemes	–	–	–	–	–	(1)	–	–	–	–	–	(1)	–	(1)	–
Transition to no-par value regime on March 3, 2014 *(note 11(c))*	9,146	(9,143)	–	(3)	–	–	–	–	–	–	–	–	–	–	–
PCCW Shares issued in lieu of cash dividends	474	–	–	–	–	–	–	–	–	–	–	474	–	474	474
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 shareholders 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

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

For the six months ended June 30, 2015

In HK$ million	Share capital	Special capital reserve	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Available-for-sale financial assets reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity	Total equity
	The Group 2015 (Unaudited)												The Company 2015 (Unaudited)
	Attributable to equity holders of the Company												
At January 1, 2015	11,720	4,426	(45)	89	(605)	119	279	(113)	(5,713)	10,157	2,212	12,369	29,668
Total comprehensive income/(loss) for the period													
Profit for the period	–	–	–	–	–	–	–	–	1,070	1,070	822	1,892	1,045
Other comprehensive loss													
Items that have been reclassified or may be reclassified subsequently to income statement:													
Exchange differences on translating foreign operations	–	–	–	–	(158)	–	–	–	–	(158)	(22)	(180)	–
Available-for-sale financial assets:													
– changes in fair value	–	–	–	–	–	–	(46)	–	–	(46)	(13)	(59)	–
Cash flow hedges:													
– effective portion of changes in fair value	–	–	–	–	–	(122)	–	–	–	(122)	(46)	(168)	(42)
– transfer from equity to income statement	–	–	–	–	–	(19)	–	–	–	(19)	(17)	(36)	–
Other comprehensive loss	–	–	–	–	(158)	(141)	(46)	–	–	(345)	(98)	(443)	(42)
Total comprehensive income/(loss) for the period	–	–	–	–	(158)	(141)	(46)	–	1,070	725	724	1,449	1,003
Transactions with equity holders													
Purchase of PCCW Shares under share award scheme	–	–	(29)	–	–	–	–	–	–	(29)	–	(29)	–
Purchase of Share Stapled Units under share award schemes	–	–	–	–	–	–	–	–	(57)	(57)	(37)	(94)	–
Employee share-based compensation	–	–	–	36	–	–	–	–	–	36	11	47	–
Vesting of PCCW Shares and Share Stapled Units under share award schemes	–	–	22	(60)	–	–	–	–	35	(3)	3	–	–
Dividend for Share Stapled Units granted under share award schemes	–	–	–	(1)	–	–	–	–	–	(1)	(1)	(2)	–
PCCW Shares issued in lieu of cash dividends	489	–	–	–	–	–	–	–	–	489	–	489	489
Final dividend paid in respect of previous year *(note 6(b))*	–	(983)	–	(2)	–	–	–	–	–	(985)	–	(985)	(985)
Dividend declared and paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(664)	(664)	–
Total contributions by and distributions to equity holders	489	(983)	(7)	(27)	–	–	–	–	(22)	(550)	(688)	(1,238)	(496)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	19	19	–
Total changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	–	–	–	–	–	–	–	–	19	19	–
Total transactions with equity holders	489	(983)	(7)	(27)	–	–	–	–	(22)	(550)	(669)	(1,219)	(496)
At June 30, 2015	12,209	3,443	(52)	62	(763)	(22)	233	(113)	(4,665)	10,332	2,267	12,599	30,175

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, 2015

In HK$ million	2014 (Unaudited)	**2015 (Unaudited)**
Net cash generated from operating activities	3,953	**5,056**
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	(18,757)	**(1,295)**
Other investing activities	(2,949)	**(4,257)**
Net cash used in investing activities	(18,468)	**(5,552)**
Financing activities		
New borrowings raised, net	51,718	**9,761**
Other financing activities (including repayment of borrowings)	(33,608)	**(10,606)**
Net cash generated from/(used in) financing activities	18,110	**(845)**
Net increase/(decrease) in cash and cash equivalents	3,595	**(1,341)**
Exchange differences	(38)	**(35)**
Cash and cash equivalents at January 1,	5,509	**7,943**
Cash and cash equivalents at June 30,	9,066	**6,567**
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	10,098	**7,013**
Less: Short-term deposits	–	**(350)**
Less: Restricted cash	(1,032)	**(96)**
	9,066	**6,567**
Less: Cash and cash equivalents of disposal group classified as held for sale	(495)	**–**
	8,571	**6,567**

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 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, 2014.

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, 2015.

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, 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, basis of presentation and methods of computation used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended December 31, 2014, except for the adoption of the following new, revised or amended Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (collectively "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2015 as described below.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2015, but have had no material effect on the Group's reported results and financial position for the current and prior accounting periods:

– HKAS 19 (2011) (Amendment), Defined Benefit Plans: Employee Contributions.
– Annual Improvements to 2010-2012 Cycle published in January 2014 by HKICPA.
– Annual Improvements to 2011-2013 Cycle published in January 2014 by HKICPA.

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

2 SEGMENT INFORMATION

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

The CODM considers the business from the product perspective and assesses the performance of the following segments:

– HKT Limited ("HKT") is Hong Kong's premier telecommunications service provider. The principal activities of HKT and its subsidiaries are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, customer premises equipment sale, 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 directories operations in Hong Kong, mainland China and other parts of the world.

– Solutions Business offers Information and Communications Technologies services and solutions in Hong Kong, Macau 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.

The CODM assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortization ("EBITDA"). 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 other external parties for similar services. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated income statement.

2 SEGMENT INFORMATION *(CONTINUED)*

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

In HK$ million	For the six months ended June 30, 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

In HK$ million	**For the six months ended June 30, 2015 (Unaudited)**						
	HKT	**Media Business**	**Solutions Business**	**Other Businesses**	**PCPD**	**Eliminations**	**Consolidated**
REVENUE							
External revenue	**15,800**	**1,046**	**1,116**	**22**	**98**	**–**	**18,082**
Inter-segment revenue *(note a)*	**174**	**544**	**384**	**3**	**1**	**(1,106)**	**–**
Total revenue	**15,974**	**1,590**	**1,500**	**25**	**99**	**(1,106)**	**18,082**
RESULTS							
EBITDA	**5,770**	**182**	**246**	**(324)**	**(101)**	**(90)**	**5,683**

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, 2014 (Unaudited)	**Six months ended June 30, 2015 (Unaudited)**
Total segment EBITDA	4,376	**5,683**
(Loss)/Gain on disposal of property, plant and equipment, net	(2)	**4**
Depreciation and amortization	(2,517)	**(2,930)**
Other gains, net	688	**60**
Interest income	45	**35**
Finance costs	(573)	**(764)**
Share of results of associates and joint ventures	9	**13**
Profit before income tax	2,026	**2,101**

3 OTHER GAINS, NET

In HK$ million	Six months ended June 30, 2014 (Unaudited)	**Six months ended June 30, 2015 (Unaudited)**
Fair value gains on investment properties	654	**–**
Gain on remeasuring an available-for-sale investment upon a step acquisition	–	**29**
Net gains on cash flow hedging instruments transferred from equity	1	**1**
Net gains on fair value hedging instruments	23	**24**
Net gains from return of investments in available-for-sale financial assets	10	**–**
Net gains on disposal of available-for-sale financial assets	–	**9**
Others	–	**(3)**
	688	**60**

4 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK$ million	Six months ended June 30, 2014 (Unaudited)	**Six months ended June 30, 2015 (Unaudited)**
Charging:		
Cost of inventories sold	1,078	**1,912**
Cost of sales, excluding inventories sold	5,704	**6,115**
Depreciation of property, plant and equipment	1,236	**1,057**
Amortization of intangible assets	1,270	**1,862**
Amortization of land lease premium – interests in leasehold land	11	**11**
Finance costs on borrowings	530	**703**
Staff costs	1,435	**1,778**

5 INCOME TAX

In HK$ million	Six months ended June 30, 2014 (Unaudited)	Six months ended June 30, 2015 (Unaudited)
Current income tax:		
Hong Kong profits tax	29	**273**
Overseas tax	51	**13**
Movement of deferred income tax	305	**(77)**
	385	**209**

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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, 2014 (Unaudited)	Six months ended June 30, 2015 (Unaudited)
Interim dividend declared after the interim period of 7.96 HK cents (2014: 6.99 HK cents) per ordinary share	517	**601**

At a meeting held on August 6, 2015, the directors declared an interim dividend of 7.96 HK cents per ordinary share for the year ending December 31, 2015. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information.

The 2015 interim dividend will be payable in cash with a scrip dividend alternative subject to The Stock Exchange of Hong Kong Limited (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, 2014 (Unaudited)	Six months ended June 30, 2015 (Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period of 13.21 HK cents (2014: 13.85 HK cents) per ordinary share *(note i)*	1,009	**985**
Less: dividend for PCCW Shares held by share award schemes	(3)	**(2)**
	1,006	**983**

i. The 2014 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(a) for the details of share capital issued and allotted during the six months ended June 30, 2015.

7 EARNINGS PER SHARE

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

	Six months ended June 30, 2014 (Unaudited)	June 30, 2015 (Unaudited)
Earnings (in HK$ million)		
Earnings for the purposes of basic and diluted earnings per share	1,058	**1,070**
Number of shares		
Weighted average number of ordinary shares	7,282,662,873	**7,456,334,207**
Effect of PCCW Shares held under the Company's share award schemes	(19,497,262)	**(18,814,223)**
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,263,165,611	**7,437,519,984**
Effect of PCCW Shares awarded under the Company's share award schemes	7,768,057	**11,915,439**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,270,933,668	**7,449,435,423**

8 TRADE RECEIVABLES, NET

The aging of trade receivables based on the date of invoice is set out below:

In HK$ million	As at December 31, 2014 (Audited)	June 30, 2015 (Unaudited)
0–30 days	2,479	**2,432**
31–60 days	640	**782**
61–90 days	289	**246**
91–120 days	190	**312**
Over 120 days	1,133	**1,283**
	4,731	**5,055**
Less: Impairment loss for doubtful debts	(234)	**(263)**
	4,497	**4,792**

Included in trade receivables, net were amounts due from related parties of HK$39 million and HK$76 million as at June 30, 2015 and December 31, 2014 respectively.

8 TRADE RECEIVABLES, NET *(CONTINUED)*

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 based on the date of invoice is set out below:

In HK$ million	As at December 31, 2014 (Audited)	As at **June 30, 2015 (Unaudited)**
0–30 days	1,180	**1,781**
31–60 days	148	**63**
61–90 days	40	**49**
91–120 days	59	**35**
Over 120 days	904	**985**
	2,331	**2,913**

Included in trade payables were amounts due to related parties of HK$81 million and HK$22 million as at June 30, 2015 and December 31, 2014 respectively.

10 SHORT-TERM AND LONG-TERM BORROWINGS

a. During the six months ended June 30, 2015, certain bank borrowings of approximately HK$3,266 million and guaranteed notes of US$500 million (approximately HK$3,876 million) have been reclassified from long-term liabilities to short-term liabilities as their maturity dates fall due within the next twelve-month period. As at June 30, 2015, the Group had a total cash and cash equivalents of HK$6,567 million and undrawn banking facilities of approximately HK$18,325 million. In July 2015, the Group had reduced its short-term borrowings by refinancing its maturing guaranteed notes of US$500 million (approximately HK$3,876 million) with the Group's long-term borrowings.

b. US$300 million zero coupon guaranteed notes due 2030

On January 15, 2015, HKT Capital No. 1 Limited, an indirect non-wholly owned subsidiary of the Company, issued US$300 million (approximately HK$2,326 million) zero coupon guaranteed notes due 2030, which are listed on the Taipei Exchange (previously known as the GreTai Securities Market) in Taiwan, China. The notes are irrevocably and unconditionally guaranteed by HKT Group Holdings Limited ("HKTGH") and Hong Kong Telecommunications (HKT) Limited ("HKTL"), both being indirect non-wholly owned subsidiaries of the Company, and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

10 SHORT-TERM AND LONG-TERM BORROWINGS *(CONTINUED)*

c. US$500 million 3.625% guaranteed notes due 2025

On April 2, 2015, HKT Capital No. 2 Limited, an indirect non-wholly owned subsidiary of the Company, issued US$500 million (approximately HK$3,876 million) 3.625% guaranteed notes due 2025, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

d. €200 million 1.65% guaranteed notes due 2027

On April 10, 2015, HKT Capital No. 3 Limited, an indirect non-wholly owned subsidiary of the Company, issued €200 million (approximately HK$1,729 million) 1.65% guaranteed notes due 2027, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

e. US$100 million zero coupon guaranteed notes due 2030

On May 20, 2015, PCCW Capital No. 5 Limited, a direct wholly-owned subsidiary of the Company, issued US$100 million (approximately HK$775 million) zero coupon guaranteed notes due 2030, which are listed on the Taipei Exchange in Taiwan, China. The notes are irrevocably and unconditionally guaranteed by the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of the Company.

11 SHARE CAPITAL

	Six months ended June 30,			
	2014		**2015**	
	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	**7,453,177,661**	**11,720**
PCCW Shares issued in lieu of cash dividends *(note a)*	114,240,694	474	**96,011,595**	**489**
PCCW Shares issued for share award scheme *(note b)*	10,000,000	–	**–**	**–**
Transfer from share premium account and capital redemption reserve account upon transition to no-par value regime on March 3, 2014 *(note c)*	–	9,146	**–**	**–**
As at June 30	7,396,535,348	11,438	**7,549,189,256**	**12,209**

a. During the six months ended June 30, 2015, the Company issued and allotted 96,011,595 new fully paid shares (2014: 114,240,694 new fully paid shares) at HK$5.088 (2014: HK$4.148) per share to the shareholders who elected to receive PCCW Shares in lieu of cash for 2014 final dividend (2014: 2013 final dividend) pursuant to the scrip dividend scheme.

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

c. 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, 2015.

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, 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

	Six months ended June 30, 2015	
	Number of PCCW Shares (Unaudited)	**Number of Share Stapled Units (Unaudited)**
As at January 1, 2015	**21,116,787**	**6,173,068**
Purchase from the market by the trustee at average market price of HK$4.98 per PCCW Share/HK$9.92 per Share Stapled Unit	**5,837,000**	**9,517,000**
PCCW Shares/Share Stapled Units vested	**(8,036,235)**	**(5,823,265)**
Transfer to grantees in lieu of cash dividends	**(475)**	**–**
As at June 30, 2015	**18,917,077**	**9,866,803**

The average fair values of the PCCW Shares and the Share Stapled Units awarded during the six months ended June 30, 2015 at the dates of award are HK$5.35 (2014: HK$4.00) per PCCW Share and HK$10.30 (2014: HK$8.26) 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 respectively.

13 CAPITAL COMMITMENTS

In HK$ million	As at December 31, 2014 (Audited)	As at June 30, 2015 (Unaudited)
Authorized and contracted for	2,396	**2,518**
Authorized but not contracted for	1,288	**881**
	3,684	**3,399**

Included in the capital commitments were commitments of HK$1,668 million and HK$1,813 million for the purchase of property, plant and equipment as at June 30, 2015 and December 31, 2014 respectively.

Additions of property, plant and equipment were HK$1,548 million and HK$1,469 million for the six months ended June 30, 2015 and 2014 respectively.

14 CONTINGENT LIABILITIES

In HK$ million	As at December 31, 2014 (Audited)	As at June 30, 2015 (Unaudited)
Performance guarantees	2,338	**2,369**
Tender guarantees	52	**52**
Others	99	**89**
	2,489	**2,510**

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, 2014 (Audited)	As at **June 30, 2015 (Unaudited)**
Property, plant and equipment	–	**12**
Investment properties	1,848	**1,880**
Intangible assets	–	**19**
Prepayment, deposits and other current assets	182	**184**
Trade receivables	–	**66**
Cash and cash equivalents	20	**72**
	2,050	**2,233**

Performance guarantee of approximately HK$162 million in relation to the construction of a Premium Grade A office building in Jakarta, Indonesia was pledged for certain bank loan facilities as at June 30, 2015 (December 31, 2014: HK$166 million).

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, 2014 (Unaudited)	Six months ended **June 30, 2015 (Unaudited)**
Telecommunications service fees, facility management service charges and interest income received or receivable from joint ventures	a	39	**29**
Consultancy service charges and interest income received or receivable from associates	a	8	**7**
Telecommunications service fees and systems integration charges received or receivable from a substantial shareholder	a	142	**49**
Telecommunications service fees, outsourcing fees and rental charges paid or payable to joint ventures	a	173	**136**
Telecommunications service fees and facility management service charges paid or payable to a substantial shareholder	a	64	**92**
Consideration paid or payable for the purchase of equipment from a joint venture	a	–	**14**
Key management compensation	b	40	**52**

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.

16 RELATED PARTY TRANSACTIONS *(CONTINUED)*

b. Details of key management compensation

In HK$ million	Six months ended June 30, 2014 (Unaudited)	**June 30, 2015 (Unaudited)**
Salaries and other short-term employee benefits	31	**44**
Share-based compensation	8	**6**
Post-employment benefits	1	**2**
	40	**52**

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, 2014. There have been no changes in any financial management policies and practices since December 31, 2014.

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, 2014:

In HK$ million	The Group As at December 31, 2014 (Audited)			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
– Listed equity securities	104	–	–	104
– Unlisted equity securities	–	–	650	650
Derivative financial instruments (current)	–	49	–	49
Total assets	104	49	650	803
Liabilities				
Derivative financial instruments (non-current)	–	(217)	–	(217)

The following table presents the Group's financial instruments that are measured at fair value at June 30, 2015:

In HK$ million	**The Group As at June 30, 2015 (Unaudited)**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale financial assets				
– Listed equity securities	**45**	**–**	**–**	**45**
– Unlisted equity securities	**–**	**–**	**691**	**691**
Derivative financial instruments (non-current)	**–**	**90**	**–**	**90**
Derivative financial instruments (current)	**–**	**97**	**–**	**97**
Total assets	**45**	**187**	**691**	**923**
Liabilities				
Derivative financial instruments (non-current)	**–**	**(478)**	**–**	**(478)**

The following table presents the Company's financial instruments that are measured at fair value at December 31, 2014 and June 30, 2015:

In HK$ million	**The Company Level 2**	
	As at December 31, 2014 (Audited)	**As at June 30, 2015 (Unaudited)**
Liabilities		
Derivative financial instruments (non-current)	(117)	**(159)**

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 Tokyo Stock Exchange, Inc. and 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, currency call spread option and foreign exchange forward contracts.

Specific valuation techniques used to value financial instruments include:

– 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.

– The fair value of currency call spread option is the dealer quoted price, taking into account of the spot and forward exchange rates that are quoted in an active market and the observable interest rates and yield curves and the implied volatility.

– The fair value of the foreign exchange forward contracts is calculated based on the prevailing market foreign currency exchange rates quoted for contracts with same notional amounts adjusted for maturity differences.

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 multiples (based on price earnings multiples or enterprise value/earnings before interest and tax multiples of comparable companies): 3 – 20 (December 31, 2014: 3 – 20)
– Liquidity discount: 15% – 30% (December 31, 2014: 15% – 30%)
– Market size discount: 15% – 70% (December 31, 2014: 15% – 70%)
– Future growth rates: 10% – 50% (December 31, 2014: 10% – 50%)

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the six months ended June 30, 2015.

There were no changes in valuation techniques during the six months ended June 30, 2015.

17 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Estimation of fair values *(continued)*

The following table presents the changes in level 3 instruments during the six months ended June 30, 2014 and 2015:

In HK$ million	Available-for-sale financial assets – unlisted equity securities Six months ended June 30, 2014 (Unaudited)	**2015 (Unaudited)**
At January 1	509	**650**
Additions	122	**126**
Return of investments	(23)	**–**
Reclassification of equity interests upon step acquisition	–	**(78)**
Disposals	–	**(7)**
At June 30	608	**691**

During the six months ended June 30, 2014 and 2015, 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. Material movements in valuations are reported to senior management immediately. Valuation results are reviewed by senior management at least on a semi-annual basis.

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, 2014 and June 30, 2015 except as follows, with fair value calculated by quoted prices:

In HK$ million	As at December 31, 2014 (Audited)		**As at June 30, 2015 (Unaudited)**	
	Carrying amount	Fair value	**Carrying amount**	**Fair value**
Short-term borrowings	(4,823)	(4,909)	**(11,065)**	**(11,119)**
Long-term borrowings	(36,494)	(37,059)	**(31,154)**	**(31,569)**

The fair values of short-term and long-term borrowings are the net present value of the estimated future cash flows discounted at the prevailing market rates. The fair values are within level 2 of the fair value hierarchy.

18 BUSINESS COMBINATIONS

a. Business combinations during the six months ended June 30, 2015

i. Acquisition of Vuclip, Inc. and its subsidiaries (together the "Vuclip Group")

During the six-month period ended June 30, 2015, the Group has acquired in stages an aggregate of approximately 94.8 per cent equity interests in Vuclip, Inc., a company incorporated in California, United States of America, and its subsidiaries for a total consideration of approximately HK$1,286 million. This amount has included the fair value of a contingent consideration of approximately HK$22 million, of which the Group is required to make payments totaling up to a maximum level of approximately HK$39 million if the businesses of Vuclip Group achieve certain financial milestones within a specified period. The purpose of the acquisition is to expedite the Group's strategy of rolling out its over-the-top ("OTT") video and music services both in the Asian region and globally. Vuclip, Inc. is a leading premium mobile video on demand service provider in emerging markets. Its strengths include its early and extensive penetration into emerging markets facilitated by the use of its patented Dynamic Adaptive Transcoding technology that can deliver high-quality video content across variable network conditions and across all mobile devices without buffering. Together, the Group Media business and Vuclip Group will develop a best of breed OTT platform that provides immediate access to the Group Media business' premium Asian content set (including Korean, Japanese and Chinese content) across a much expanded audience base in the Asian continent and other regions.

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

(i) Details of net assets acquired and goodwill in respect of the acquisition of the Vuclip Group at the date when control was obtained by the Group were as follows:

In HK$ million	**Net assets acquired and goodwill (Unaudited)**
Purchase consideration settled in cash	**1,109**
Fair value of equity interests in the Vuclip Group at the date when control was obtained by the Group	**107**
Consideration payable	**70**
Aggregate purchase consideration	**1,286**
Less: Estimated fair value of net assets acquired	**(337)**
Goodwill on acquisition	**949**

The goodwill is attributable to the expected future profits generated from the expansion beyond Vuclip Group's current markets by offering industry leading OTT services. With Vuclip Group's proven technologies and established emerging market footprint as well as its dedicated and talented team, there are significant cost savings, time-to-market advantage and other synergies from this acquisition of the Vuclip Group.

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

18 BUSINESS COMBINATIONS *(CONTINUED)*

a. Business combinations during the six months ended June 30, 2015 *(continued)*

i. Acquisition of Vuclip, Inc. and its subsidiaries (together the "Vuclip Group") *(continued)*

(i) Details of net assets acquired and goodwill in respect of the acquisition of the Vuclip Group at the date when control was obtained by the Group were as follows: *(continued)*

The assets and liabilities of the Vuclip Group at the date when control was obtained by the Group were as follows:

In HK$ million	Estimated fair value (Unaudited)
Property, plant and equipment	11
Intangible assets	486
Trade receivables, prepayments, deposits and other current assets	76
Cash and cash equivalents	67
Short-term borrowings	(23)
Trade payables, accruals and other payables	(51)
Current income tax liabilities	(6)
Long-term borrowings	(10)
Deferred income tax liabilities	(194)
	356
Non-controlling interests	(19)
Net assets acquired	337

In HK$ million	Net cash outflow (Unaudited)
Purchase consideration settled in cash	1,109
Less: Cash and cash equivalents acquired	(67)
Total net cash outflow for the six months ended June 30, 2015	1,042

(ii) Acquisition-related costs

Acquisition-related costs of approximately HK$6 million were included in the consolidated income statement for the six months ended June 30, 2015.

(iii) Revenue and profit contribution

The businesses of the acquired companies contributed revenue of approximately HK$38 million and loss attributable to equity holders of the Company of approximately HK$12 million to the Group for the period from the date when control was obtained by the Group to June 30, 2015. If the acquisition had occurred on January 1, 2015, the acquired companies' revenue and loss attributable to equity holders of the Company for the period ended June 30, 2015 would have been approximately HK$106 million and approximately HK$37 million, respectively.

(iv) Gain on remeasuring the Group's existing interests in the Vuclip Group

The Group recognized a gain of HK$29 million as a result of remeasuring its available-for-sale investment in the Vuclip Group to fair value at the date when control was obtained by the Group. The gain is included in other gains, net in the Group's consolidated income statement for the six months ended June 30, 2015.

18 BUSINESS COMBINATIONS *(CONTINUED)*

a. Business combinations during the six months ended June 30, 2015 *(continued)*

ii. Acquisition of Keycom plc and its subsidiaries ("Keycom")

On April 7, 2015, the Group acquired approximately 92.9 per cent of the then issued ordinary share capital of Keycom plc and increased its interest to 100 per cent by the end of June 2015 for a total consideration of approximately £16.6 million (approximately HK$196 million). Keycom plc is a company engaged in the design, development and delivery of communications and multimedia services via high-speed connectivity in the United Kingdom. A payment of approximately £14.8 million (approximately HK$175 million) has been made by the Group as at June 30, 2015. The purpose of the acquisition is to expand the Group's business to meet the growing demand for ubiquitous broadband connectivity through building resilient high availability wireless and wired network in the United Kingdom.

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

(i) Details of net assets acquired and goodwill in respect of the acquisition of Keycom at the acquisition date were as follows:

In HK$ million	**Net assets acquired and goodwill (Unaudited)**
Purchase consideration settled in cash	**149**
Consideration payable	**21**
Obligation assumed upon business combination	**26**
Aggregate purchase consideration	**196**
Less: Estimated fair value of net assets acquired	**(53)**
Goodwill on acquisition	**143**

The goodwill is attributable to the expected future profits generated from communications services via high-speed connectivity. As a result of the acquisition, the Group is expected to grow and expand its broadband connectivity business in the United Kingdom via the strong, well-established business with a talented leadership team and employees of Keycom.

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

18 BUSINESS COMBINATIONS *(CONTINUED)*

a. Business combinations during the six months ended June 30, 2015 *(continued)*

ii. Acquisition of Keycom plc and its subsidiaries ("Keycom") *(continued)*

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

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

In HK$ million	Estimated fair value (Unaudited)
Property, plant and equipment	56
Intangible assets	12
Deferred income tax assets	8
Trade receivables, prepayments, deposits and other current assets	17
Cash and cash equivalents	1
Trade payables, accruals and other payables	(30)
Advances from customers	(11)
Net assets acquired	53

In HK$ million	Net cash outflow (Unaudited)
Purchase consideration settled in cash	149
Settlement of obligation assumed upon business combination	26
	175
Less: Cash and cash equivalents acquired	(1)
Total net cash outflow for the six months ended June 30, 2015	174

(ii) Acquisition-related costs

Acquisition-related costs of approximately HK$5 million were included in the consolidated income statement for the six months ended June 30, 2015.

(iii) Revenue and profit contribution

Keycom's revenue and loss attributable to equity holders of the Company for the period from January 1, 2015 to the acquisition date were HK$24 million and HK$1 million, respectively. The business of Keycom has been integrated into the Group since the acquisition date. Accordingly, it is not practical to quantify the individual contribution of Keycom to the revenue and profit of the Group during the six months ended June 30, 2015 on any reasonable basis.

18 BUSINESS COMBINATIONS *(CONTINUED)*

a. Business combinations during the six months ended June 30, 2015 *(continued)*

iii. Acquisition of Syntelligence Ltd

On May 26, 2015, the Group completed the acquisition of the entire issued share capital of Syntelligence Ltd, a private company incorporated in the United Kingdom. The acquiree's platform offers a complete solution for the delivery of cloud communications services to enterprises and service providers. The acquisition aims at expanding the Group's offerings in unified communications for enterprises and service providers worldwide. The aggregate consideration was not material.

b. Business combinations during the six months ended June 30, 2014

i. 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 was approximately US$2,585 million (approximately HK$20,054 million) which was recognized in the accounts for the acquisition.

The Group is required to recognize the acquired companies' identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date. As of the date of this unaudited condensed consolidated interim financial information, the purchase price allocation process has been finalized. The initial accounting for the acquisition of the CSL Group was completed as at May 14, 2015. In completing the initial accounting, an addition of HK$37 million of goodwill has been recorded compared to the provisional amount previously disclosed as a result of additional information with respect to the finalization of the contingent consideration payable.

(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 purchase consideration	20,054
Less: Fair value of net assets acquired	(6,402)
Goodwill on acquisition	13,652

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)*

b. Business combinations during the six months ended June 30, 2014 *(continued)*

i. 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	Fair value (Unaudited)
Property, plant and equipment	1,992
Intangible assets	6,391
Interests in a joint venture	14
Prepayments, deposits, trade receivables, net and other current and non-current assets	1,574
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)	(2,745)
Advances from customers	(622)
Deferred income	(64)
Current income tax liabilities	(308)
Deferred income tax liabilities	(921)
	6,438
Non-controlling interests	(36)
Net assets acquired	6,402

In HK$ million	Net cash outflow (Unaudited)
Purchase consideration:	
Settled in cash during 2014	19,943
Settled in cash during the six months ended June 30, 2015	77
	20,020
Less: Cash and cash equivalents acquired	(1,186)
	18,834

(ii) Revenue and profit contribution

CSL Group's revenue and profit attributable to equity holders of the Company 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 six months ended June 30, 2014 on any reasonable basis.

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, 2015, the directors and chief executives of the Company and their respective close 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:

Name of Director/Chief Executive	Number of ordinary shares held 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	–	–	292,062,765 *(Note 1(a))*	1,830,855,436 *(Note 1(b))*	2,122,918,201	28.12%
Srinivas Bangalore Gangaiah	–	–	–	207,597 *(Note 2)*	207,597	0.003%
Hui Hon Hing, Susanna	2,148,558	–	–	1,806,996 *(Note 2)*	3,955,554	0.05%
Lee Chi Hong, Robert	992,600 *(Note 3(a))*	511 *(Note 3(b))*	–	–	993,111	0.01%
Tse Sze Wing, Edmund	–	360,474 *(Note 4)*	–	–	360,474	0.005%
Dr The Hon Sir David Li Kwok Po	1,075,073	–	–	–	1,075,073	0.01%

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:

1. (a) Of these shares, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), held 255,782,141 shares and Eisner Investments Limited ("Eisner") held 36,280,624 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 166,405,989 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 166,405,989 shares of the Company held by PCGH;

   (ii) a deemed interest in 1,664,446,447 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 86.56% 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 1,664,446,447 shares of the Company held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 1.04% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard; and

   (iii) 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. These interests represented award(s) made to these directors which were subject to certain vesting conditions pursuant to an 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**".

3. (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.

4. 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 87.25% interest in FWD.

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

B. HKT Trust and HKT Limited

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

Name of Director/Chief Executive	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of Share Stapled Units in issue
	Number of Share Stapled Units held					
Li Tzar Kai, Richard	–	–	66,247,614 *(Note 1(a))*	144,786,553 *(Note 1(b))*	211,034,167	2.79%
Hui Hon Hing, Susanna	1,238,744	–	–	1,159,003 *(Note 2)*	2,397,747	0.03%
Lee Chi Hong, Robert	50,924 *(Note 3(a))*	25 *(Note 3(b))*	–	–	50,949	0.0007%
Tse Sze Wing, Edmund	–	246,028 *(Note 4)*	–	–	246,028	0.003%
Dr The Hon Sir David Li Kwok Po	169,302	–	–	–	169,302	0.002%

Each Share Stapled Unit confers an interest in:

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

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

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

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:

1. (a) Of these Share Stapled Units, PCD held 20,227,614 Share Stapled Units and Eisner held 46,020,000 Share Stapled Units.

   (b) These interests represented:

   (i) a deemed interest in 13,159,619 Share Stapled Units held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 13,159,619 Share Stapled Units held by PCGH;

   (ii) a deemed interest in 131,626,804 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 131,626,804 Share Stapled Units held by PCRD; and

   (iii) a deemed interest in 130 Share Stapled Units held by PBI LLC in the capacity of investment manager. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 130 Share Stapled Units held by PBI LLC in the capacity of investment manager.

2. These interests represented awards made to 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**".

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

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

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

Save as disclosed in the foregoing, as at June 30, 2015, none of the directors or chief executives of the Company or their respective close associates had any interests or short positions in any shares, Share Stapled Units, underlying shares, underlying Share Stapled Units and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

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

1. The Company

A. Share Option Scheme

The Company currently operates a share option scheme which was adopted on May 8, 2014 following the approval by the shareholders of the Company at the annual general meeting of the Company held on the same day (the "2014 Scheme"). Subject to the terms and conditions stipulated in the 2014 Scheme, the board of directors of the Company (the "Board") may, at its discretion, grant share options to any eligible participant to subscribe for shares of the Company.

No share options have been granted under the 2014 Scheme since its adoption and up to and including June 30, 2015.

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

1. The Company *(continued)*

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 Board 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, 2015, an aggregate of 3,265,515 shares of the Company and 13,163 Share Stapled Units were granted pursuant to the Purchase Scheme subject to certain vesting conditions, including awards in respect of 207,597 and 981,337 shares of the Company made respectively to BG Srinivas and Hui Hon Hing, Susanna (the directors of the Company). Additionally, 20,142 shares of the Company have lapsed and/or been forfeited and 5,531,602 shares of the Company have vested; and 8,917 Share Stapled Units have lapsed and/or been forfeited and 116,097 Share Stapled Units have vested during the period. As at June 30, 2015, 10,843,756 shares of the Company and 190,293 Share Stapled Units granted pursuant to the Purchase Scheme remained unvested.

(ii) Subscription Scheme

During the six months ended June 30, 2015, an aggregate of 3,790,428 shares of the Company were granted pursuant to the Subscription Scheme subject to certain vesting conditions. Additionally, 129,139 shares of the Company have lapsed and/or been forfeited and 2,504,633 shares of the Company have vested during the period. As at June 30, 2015, 6,264,794 shares of the Company granted pursuant to the Subscription Scheme remained unvested. During the six months ended June 30, 2015, 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, 2015 and June 30, 2015, no 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 34.

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 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 its adoption and up to and including June 30, 2015.

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, 2015, an aggregate of 1,566,606 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 280,370 Share Stapled Units made to Hui Hon Hing, Susanna (a director of the Company). Additionally, 524,643 Share Stapled Units have lapsed and/or been forfeited and 5,707,168 Share Stapled Units have vested during the period. As at June 30, 2015, 8,336,126 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, 2015. 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 34.

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

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

Share Option Schemes

At PCPD's annual general meeting held on May 6, 2015, the shareholders of PCPD approved the termination of its share option scheme which was adopted in May 2005 (the "2005 PCPD Scheme") and the adoption of a new share option scheme (the "2015 PCPD Scheme"). The 2015 PCPD Scheme became effective on May 7, 2015 following its approval by the shareholders of the Company. After the termination of the 2005 PCPD Scheme, no further share options will be granted under such scheme, but in all other respects the provisions of such scheme will remain in full force and effect. There is no material difference between the terms of the 2005 PCPD Scheme and the 2015 PCPD Scheme.

PCPD currently operates the 2015 PCPD Scheme, under which the board of directors of PCPD may, at its discretion, grant share options to any eligible participant to subscribe for shares of PCPD subject to the terms and conditions stipulated therein.

No share options have been granted under the 2005 PCPD Scheme and the 2015 PCPD Scheme since their adoption and up to and including June 30, 2015.

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, 2015, 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		1,664,446,447	22.05%
PCGH	*1*	1,830,852,436	24.25%
Star Ocean Ultimate Limited	*2 and 3*	1,830,852,436	24.25%
The Ocean Trust	*2*	1,830,852,436	24.25%
The Starlite Trust	*2*	1,830,852,436	24.25%
OS Holdings Limited	*2*	1,830,852,436	24.25%
Ocean Star Management Limited	*2*	1,830,852,436	24.25%
The Ocean Unit Trust	*2*	1,830,852,436	24.25%
The Starlite Unit Trust	*2*	1,830,852,436	24.25%
Star Ocean Ultimate Holdings Limited	*3*	1,830,852,436	24.25%
Fung Jenny Wai Ling	*4*	1,830,852,436	24.25%
Huang Lester Garson	*4*	1,830,852,436	24.25%
中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited#) ("Unicom")	*5*	1,397,772,149	18.52%

\# *For identification only*

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

Notes:

1. These interests represented (i) PCGH's beneficial interests in 166,405,989 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 86.56% of the issued share capital of PCRD) in 1,664,446,447 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.

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

As at June 30, 2015, 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*	1,830,852,436	24.25%

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, 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2015, 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 Company and its subsidiaries (the "Group") and the unaudited condensed consolidated interim financial information of the Group for the six months ended June 30, 2015. 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 on 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 (the "CG Code") as set out in Appendix 14 to the Listing Rules during the six months ended June 30, 2015, save and except for code provision F.1.2 as the appointments of company secretary during the period were discussed and approved at the physical executive committee meetings in accordance with the delegated board authority, of which the directors were briefed on the outcome, and therefore the requirement by code provision F.1.2 of the CG Code to approve these matters by physical board meetings has not been complied with. It is considered that the approval process is efficient and appropriate in the view of directors.

INVESTOR RELATIONS

DIRECTORS
The directors of the Company as at the date of the announcement of the 2015 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 GENERAL COUNSEL AND COMPANY SECRETARY
Grace M.Y. Lee

REGISTERED OFFICE
41st Floor, PCCW Tower
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Quarry Bay, Hong Kong
Telephone: +852 2888 2888
Fax: +852 2877 8877

INTERIM REPORT 2015
This Interim Report 2015 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 2015 using electronic means through the website of the Company may request a printed copy, or
B) received the Interim Report 2015 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 2865 0990
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 2015) using electronic means through the Company's website and who, for any reason, have difficulty in receiving or gaining access to the Interim Report 2015 will promptly, upon request in writing or by email to the Company's Share Registrar, be sent the Interim Report 2015 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 guaranteed notes issued by subsidiaries of the Company are listed on the Singapore Exchange Securities Trading Limited and the Taipei Exchange in Taiwan, China.

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 2865 0990
Email: hkinfo@computershare.com.hk

ADR DEPOSITARY
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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, 2015:	7,549,189,256 shares

DIVIDEND
Interim dividend per ordinary share for the six months ended June 30, 2015	7.96 HK cents

FINANCIAL CALENDAR
Announcement of 2015 Interim Results	August 6, 2015
Closure of register of members	August 26 – 27, 2015 (both days inclusive)
Record date for 2015 interim dividend	August 27, 2015
Payment of 2015 interim dividend	On or around October 7, 2015
Announcement of 2015 Annual Results	February 2016

INVESTOR RELATIONS
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Email: ir@pccw.com

WEBSITE
www.pccw.com

Forward-Looking Statements

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

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

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

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

PCCW Limited (Incorporated in Hong Kong with limited liability)

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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).

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