PCCW®

Interim Report 2016

Stock Code: 0008

Transforming Lives in the Digital World

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CORPORATE PROFILE

PCCW Limited 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 and leading operator in fixed-line, broadband and mobile communication services. 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, PCCW Media. PCCW Media operates the largest local pay-TV operation, Now TV, and is engaged in the provision of over-the-top (OTT) video service under the Viu brand in Hong Kong and other places in the region.

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

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

Employing over 24,500 staff, PCCW maintains a presence in Hong Kong, mainland China as well as other parts of the world.

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

KEY FIGURES

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2016
In HK$ million (except for per share data)

	2015 (Unaudited)	**2016 (Unaudited)**
Revenue		
Core revenue*	17,983	**18,409**
PCPD	99	**115**
	18,082	**18,524**
Cost of sales	(8,027)	**(8,494)**
General and administrative expenses	(7,298)	**(7,627)**
Other gains/(losses), net	60	**(53)**
Interest income	35	**27**
Finance costs	(764)	**(627)**
Share of results of associates	19	**25**
Share of results of joint ventures	(6)	**(6)**
Profit before income tax	2,101	**1,769**
Income tax	(209)	**(65)**
Profit for the period	1,892	**1,704**
Attributable to:		
Equity holders of the Company	1,070	**868**
Non-controlling interests	822	**836**
Earnings per share (in HK cents)		
Basic	14.39	**11.40**
Diluted	14.36	**11.39**
Dividend per share (in HK cents)		
Interim dividend	7.96	**8.16**
EBITDA[1]		
Core EBITDA*	5,784	**5,730**
PCPD	(101)	**(121)**
	5,683	**5,609**

*Note: Please refer to page 12. Note 1: Please refer to page 14.

STATEMENT FROM THE CHAIRMAN

PCCW has established a strong business foundation which, I am pleased to report, achieved a satisfactory performance during the first half of 2016, as we invested in developing our growth businesses in Hong Kong and in the region.

In the local pay-TV market, Now TV firmly maintains its leadership with its offer of quality content and excellent viewing experience across multiple platforms, fending off intense competition from existing and new players as Now TV leverages the Group's unique quadruple-play capability.

Our domestic free TV service, ViuTV, has received a positive response from the Hong Kong public and advertisers since it commenced broadcasting in April. We will continue to invest to ensure there are more quality program choices for viewers.

Internationally, the OTT (over-the-top) business has expanded to a total of 16 markets following the launch of the Viu OTT video service in the region this year. We have cooperated with the top four Korean broadcasters to bring to viewers a vast library of popular dramas and shows.

PCCW Solutions excels in helping enterprises create value and enhance customer experience through its information technology (IT) expertise. During the period, it launched D-Infinitum Global Data Center Alliance, a network of 115 data center facilities across over 50 cities globally, to capitalize on the growing demand for cost-effective multi-site co-location services.

The Group's telecommunications business operates in a highly competitive market in Hong Kong. Despite the difficult market conditions and the sluggish local economy in the first half, HKT has maintained a steady performance across its fixed-line, broadband, and mobile communications segments.

On property, the existing projects of Pacific Century Premium Developments (PCPD) in Indonesia and Japan progressed as scheduled. PCPD is also identifying other potential investments in the meantime.

In 2016, the business sector as a whole is faced with a subdued local economic sentiment and an uncertain external environment. At PCCW, we will focus on our strategic plans and invest judiciously with a view to creating value for shareholders in the medium to long term. In these challenging times, we will monitor the market situation more closely than ever.

Richard Li
Chairman
August 11, 2016

STATEMENT FROM THE GROUP MANAGING DIRECTOR

We are in midst of a digital revolution. The confluence of mobile devices, Internet and apps is rapidly changing consumer behavior. Interacting, consuming and transacting with connected mobile devices is becoming ubiquitous. Enterprises are witnessing and reacting to this change but the pace of digital adoption by consumers is also forcing these enterprises to rethink their product and service strategies. Many enterprises, consequently, find themselves in the unenviable position of managing growth and lowering costs while investing in innovation to win the trust and loyalty of today's digitally savvy consumers. In many ways consumers are now running enterprises.

PCCW recognizes these trends and has been investing in the digital space. With technologies that enhance consumer experience, automate business processes and drive operational efficiencies, we are at the forefront of not only meeting consumer expectations but also aiding enterprises in transforming their own businesses into digital companies.

PCCW is uniquely positioned in Asia in its ability to combine the core capabilities of its telecommunications, media and IT solutions businesses – high-speed reliable connectivity, exceptional content and best-in-class technological solutions for enterprises. We will continue to invest in deepening our market leadership in Hong Kong even as we seek new growth frontiers.

I am pleased to report that we have made good progress this year in pursuing our objective of "Transforming Lives in the Digital World", as outlined in the following sections.

LEADING MULTI-PLATFORM PAY-TV SERVICE

As Hong Kong's largest pay-TV operator and a multi-dimension media platform, Now TV is the home of entertainment and sports in Hong Kong bringing viewers the most comprehensive lineup of high quality Asian and international dramas, movies and other programs as well as world-class sports.

Following Now TV's broadcast of the 2013-16 seasons of the Premier League, we will continue to broadcast via multiple platforms the next three seasons starting August 2016. This has enabled Now TV to attract new customers and renew existing ones since the earlier announcement of our rights.

To enhance the TV viewing experience, Now TV introduced an all-in-one device Now One that opens up a new world of entertainment to viewers including 4K ultra high definition (UHD), digital terrestrial TV, OTT (over-the-top) content, and the latest user interface, UX3, with its full range of new, graphics-rich features.

ViuTV GETS OFF TO A GOOD START

On April 6, the Group's domestic free television service, ViuTV, officially commenced broadcasting of its Cantonese channel Channel 99 via frequency spectrum. Operated by HK Television Entertainment Company Limited, ViuTV aims to offer Hong Kong viewers more quality TV entertainment choices. In the first few months since airing, it has rolled out a number of original format factual entertainment content on top of its lineup of dramas, news, children and sports programs. Initial public and advertisers' reception to ViuTV has been encouraging.

ViuTV will continue to invest to meet its commitment of bringing more quality and relevant TV content to Hong Kong viewers. In addition to its own production, ViuTV has been working with independent production and talents to turn their creative energies and ideas into refreshing programs for our viewers.

MARKET EXPANSION FOR OTT SERVICE

With the rise of more digital content, we are seeing a rapid shift in the way media content is being consumed, especially by millennials. The Group's OTT video service, Viu, debuted in Hong Kong in late October last year and has subsequently been launched this year in Singapore, Malaysia, India and Indonesia. In all, our OTT footprint covers 16 markets with more than 10 million subscribers. The number of downloads of the Viu app in Hong Kong has surpassed 1.6 million, while downloads have exceeded half a million in Singapore.

Viu is a freemium service with both ad-supported and a premium subscription option. Apart from being available online and via App Store and Google Play, Viu has also forged strategic telco partnerships with networks such as CSL in Hong Kong, Singtel in Singapore, Telekom Malaysia Berhad, Maxis, Digi and U Mobile in Malaysia, as well as Telkom Indonesia in Indonesia.

In the first half of this year, Viu was presented the Gold Award for Best Mobile Apps (Consumer Solutions) Award at the HKICT Awards 2016, and named the Best OTT Video Service in Telecom Asia's 19th Annual Awards, and as Asia Pacific Telco Digital Service Provider of the Year by industry research group Frost & Sullivan.

SOLUTIONS FLAGSHIP BENEFITS FROM DIGITAL TRENDS

Enterprises in financial services, telecom, manufacturing, and other sectors are going through digital transformation to become more competitive in terms of their ability to understand and respond to customer needs. Furthermore, in a softer economy like what we have seen so far this year, enterprises in particular wish to achieve more with fewer resources. The Group's IT flagship, PCCW Solutions, has been playing a significant role in helping enterprises become more nimble and effective.

At the end of the first half, PCCW Solutions recorded increases in the value of both its secured orders and projects in the pipeline when compared to a year ago. It has won system integration, technical and digital service contracts from the public and private sectors locally and in mainland China, including significant contracts from the Hong Kong Civil Aviation Department for air traffic control equipment and facilities.

In view of the growing demand for cost-effective multi-site co-location and value-added services across countries and locations, PCCW Solutions launched in June D-Infinitum Global Data Center Alliance, an alliance of leading data center service providers around the world. To date, the D-Infinitum network combines 115 data center facilities across over 50 cities globally.

D-Infinitum intends to provide a full suite of hosting and co-location services, value-added services, in addition to connectivity across 3,000 cities facilitated by the Group's international telecom unit, PCCW Global. These together represent a one-stop hub for clients' global hosting needs, enabling them to reap the full benefits of each of the locations to achieve their availability, performance, security and capacity requirements.

We believe business opportunities are abound in this interconnected world, as PCCW has multiple capabilities in telecom, media and enterprise IT solutions to address the ever-changing consumer and enterprise behaviors.

STEADY TELECOM PERFORMANCE IN A COMPETITIVE MARKET

The Group's telecom business under HKT registered a steady performance in the first half, reflecting the resilience of its various lines of business under the poor economic and market conditions.

HKT's extensive genuine fiber network can accommodate the ever increasing Internet traffic fueled by the continued surge in video streaming. NETVIGATOR has collaborated with PCCW Media to roll out Now One, which has stimulated subscription of our 1Gbps fiber service and contributed to the continued rise in the number of fiber customers during the period.

In addition to offering attractive mobile communications service plans and value-added services, CSL continuously optimizes its retail network to ensure that the retail stores are conveniently located and make available to customers the latest handsets and the hottest mobile-centric gadgets.

HKT's mobile payment initiative, Tap & Go, has met with positive customer reaction and won merchant support.

On international connectivity, PCCW Global recorded a steady performance, after having achieved several successive periods of good growth.

PROPERTY PROJECTS PROGRESSING AS SCHEDULED

Pacific Century Premium Developments (PCPD) is developing a Premium Grade A office building in the Sudirman CBD (Central Business District) in Jakarta, Indonesia. Construction works of the 40-storey building have been progressing according to schedule, with topping-out expected at the end of August. Due for completion in 2017, lease agreements for a number of floors have been entered into.

For PCPD's resort and residential project in Hokkaido, Japan, design works are underway and will be finalized shortly. We plan to launch the project upon the award of the building permit.

It is PCPD's strategic aim to broaden its development and investment property portfolio to create more value for shareholders, although management will proceed very cautiously in light of the prevailing market conditions.

OUTLOOK

PCCW's core businesses comprise telecommunications, media and IT solutions – all of which enjoying leadership positions in the Hong Kong market. We can combine the unique strengths of these businesses to create highly differentiated solutions for our customers.

While strengthening our capabilities as market leaders and continuing to grow in Hong Kong, we are expanding our footprint in the region and beyond. As the telecom business is making a solid contribution to the Group, we are scaling up the media and solutions businesses so they will also become significant contributors.

Viu OTT aims to further expand in the region with more insights into viewers' preferences, and will operate with an optimal mix of free and premium models.

PCCW Solutions will strive to grow through strengthening our offerings for particular target industries and supporting enterprises with the most relevant digital, IoT and cloud solutions and platforms, as it seeks to also expand its presence in existing markets and examines opportunities in new markets.

We are keenly aware that there exist headwinds and uncertainties in the economic outlook in Hong Kong and in the region. Therefore in all of the above we will use our capital wisely and with discipline, focusing on areas that we believe will generate strong growth potential in the medium to longer term in order to maximize value for our shareholders.

BG Srinivas
Group Managing Director
August 11, 2016

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard
Chairman
Mr Li, aged 49, 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 55, was appointed an Executive Director and Group Managing Director of PCCW effective from 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 51, 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 65, 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. 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 81, 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 78, 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 52, 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 53, became a Non-Executive Director of PCCW in July 2007 and is a member of the Nomination Committee of the Board. He is also a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust and is a member of HKT's Regulatory Compliance Committee.

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

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

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

For identification only

ZHANG Junan
Non-Executive Director
Mr Zhang, aged 59, 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 Director and 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 Director and 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 45, 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 20 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 an independent director of 500.com 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 a non-executive director of Zhong Ao Home Group Limited and an independent non-executive director of Zall Group Ltd. which are listed on The Stock Exchange of Hong Kong Limited, and an independent director of Leju Holdings Limited which is 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. The Hon. Sir David LI Kwok Po,
GBM, GBS, OBE, JP, MA Cantab. (Economics & Law), Hon. LLD (Cantab), Hon. DSc. (Imperial), Hon. LLD (Warwick), Hon. DBA (Edinburgh Napier), Hon. D.Hum.Litt (Trinity, USA), Hon. LLD (Hong Kong), Hon. DSocSc (Lingnan), Hon. DLitt (Macquarie), Hon. DSocSc (CUHK), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBCS, CITP, FCIArb, Officier de l'Ordre de la Couronne, Grand Officer of the Order of the Star of Italian Solidarity, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Commandeur dans l'Ordre National de la Légion d'Honneur

Independent Non-Executive Director

Sir David, aged 77, 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 an Independent Non-executive Director of Guangdong Investment Limited, The Hong Kong and China Gas Company Limited, The Hongkong and Shanghai Hotels, Limited, San Miguel Brewery Hong Kong Limited and Vitasoy International Holdings Limited. He is also a Director of Hong Kong Interbank Clearing Limited. He was a Director of CaixaBank, S.A. (listed in Spain) and Armada Holdings Limited (formerly known as SCMP Group Limited).

Sir David is a Member of the Council of the Treasury Markets Association. He is Founding Chairman of The Friends of Cambridge University in Hong Kong Limited, Chairman of the Advisory Board of The Salvation Army, Hong Kong and Macau Command and Chairman of the Executive Committee of St. James' Settlement. He was a Member of the Legislative Council of Hong Kong from 1985 to 2012.

Aman MEHTA

Independent Non-Executive Director

Mr Mehta, aged 69, 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 Financial Services Limited (formerly 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 55, was appointed an Independent Non-Executive Director of PCCW effective from 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 51, 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 managing director of Silver Lake Kraftwerk, an investment firm 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 55, 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 Sweden, 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 59, 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 2% to HK$18,409 million; consolidated revenue (including PCPD) increased by 2% to HK$18,524 million
- Core EBITDA decreased by 1% to HK$5,730 million; consolidated EBITDA (including PCPD) decreased by 1% to HK$5,609 million
- Core profit attributable to equity holders of the Company decreased by 11% to HK$1,039 million
- Consolidated profit attributable to equity holders of the Company decreased by 19% to HK$868 million; basic earnings per share amounted to 11.40 HK cents
- Interim dividend of 8.16 HK cents per ordinary share

MANAGEMENT REVIEW

PCCW has established a strong business foundation which achieved a satisfactory performance during the first half of 2016, as we invested in developing our growth businesses in Hong Kong and in the region.

During the period, our core businesses operated under challenging economic conditions in Hong Kong and intensified market competition. Nevertheless, core revenue for the six months ended June 30, 2016 increased by 2% to HK$18,409 million. Core EBITDA decreased by 1% to HK$5,730 million taking into account the new investments in the over-the-top ("OTT") and Free TV Businesses. Excluding these, core EBITDA increased by 2% to HK$5,907 million.

Including PCPD, consolidated revenue for the six months ended June 30, 2016 increased by 2% to HK$18,524 million and consolidated EBITDA decreased by 1% to HK$5,609 million. Consolidated profit attributable to equity holders of the Company decreased by 19% to HK$868 million. This decline was primarily the result of an increase in the amortization of content costs in the OTT and Free TV Businesses. Basic earnings per share was 11.40 HK cents.

The board of Directors (the "Board") has resolved to declare an interim dividend of 8.16 HK cents per ordinary share for the six months ended June 30, 2016.

OUTLOOK

PCCW's core businesses of telecommunications, media and IT solutions continue to enjoy leadership positions in the Hong Kong market. While strengthening our capabilities as market leaders and continuing to grow in Hong Kong, we are looking at expanding our footprint in the region and beyond. As the telecommunication business is making a solid contribution to the Group, we are scaling up the Media and Solutions Businesses to drive growth in the medium to long term.

Leveraging the Group's unique quadruple-play capability, Now TV Business firmly maintains its leadership position in the local pay-TV market. Now TV Business will continue to closely collaborate with HKT Trust and HKT Limited ("HKT") and leverage its superb network to make available the most compelling media viewing experience for our customers in Hong Kong.

PCCW Media's OTT Business, under the Viu brand, aims to further expand in the region to capture opportunities arising from the changing viewing habits of customers.

The Free TV Business has made an encouraging start. ViuTV will continue to invest to ensure there are more quality program choices for viewers, thereby gaining a larger share of advertisers' spending budget.

PCCW Solutions will strive to provide relevant solutions to help enterprises transform their businesses, drive growth and improve operational efficiencies. As part of this endeavor, PCCW Solutions will continue to grow its digital and cloud solutions and platforms as well as developing specific industry expertise, particularly in areas such as healthcare and retail. It will seek to expand its presence in existing markets and examine potential opportunities in new markets.

In 2016, the business sector as a whole is faced with a subdued local economic sentiment and an uncertain external environment. At PCCW, we will focus on our strategic plans and invest judiciously with a view to creating value for shareholders in the medium to long term. In these challenging times, we will monitor the market situation more closely than ever.

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

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK$ million	Jun 30, 2015	Dec 31, 2015	**Jun 30, 2016**	Better/ (Worse) y-o-y
Revenue				
HKT	15,974	18,755	**16,388**	3%
Now TV Business	1,425	1,513	**1,391**	(2)%
OTT Business	165	267	**271**	64%
Free TV Business	–	–	**52**	n/a
Solutions Business	1,500	2,094	**1,587**	6%
Other Businesses	25	34	**30**	20%
Eliminations	(1,106)	(1,497)	**(1,310)**	(18)%
Core revenue	17,983	21,166	**18,409**	2%
PCPD	99	66	**115**	16%
Consolidated revenue	18,082	21,232	**18,524**	2%
Cost of sales	(8,027)	(10,938)	**(8,494)**	(6)%
Operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net	(4,372)	(4,099)	**(4,421)**	(1)%
EBITDA[1]				
HKT	5,770	6,330	**5,865**	2%
Now TV Business	207	284	**184**	(11)%
OTT Business	(17)	(41)	**(109)**	>(500)%
Free TV Business	(8)	(32)	**(68)**	>(500)%
Solutions Business	246	442	**254**	3%
Other Businesses	(324)	(386)	**(304)**	6%
Eliminations	(90)	(242)	**(92)**	(2)%
Core EBITDA[1]	5,784	6,355	**5,730**	(1)%
PCPD	(101)	(160)	**(121)**	(20)%
Consolidated EBITDA[1]	5,683	6,195	**5,609**	(1)%
Core EBITDA[1] margin	*32%*	*30%*	***31%***	
Consolidated EBITDA[1] margin	*31%*	*29%*	***30%***	
Depreciation and amortization	(2,930)	(3,130)	**(3,208)**	(9)%
Gain/(Loss) on disposal of property, plant and equipment, net	4	(7)	**2**	(50)%
Other gains/(losses), net	60	75	**(53)**	n/a
Interest income	35	52	**27**	(23)%
Finance costs	(764)	(870)	**(627)**	18%
Share of results of associates and joint ventures	13	24	**19**	46%
Profit before income tax	2,101	2,339	**1,769**	(16)%

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	Jun 30, 2015	Dec 31, 2015	**Jun 30, 2016**	Better/ (Worse) y-o-y
HKT Revenue	15,974	18,755	**16,388**	3%
HKT EBITDA[1]	5,770	6,330	**5,865**	2%
HKT EBITDA[1] margin	*36%*	*34%*	***36%***	
HKT Adjusted Funds Flow	1,953	2,140	**2,051**	5%

Total revenue for the six months ended June 30, 2016 increased by 3% to HK$16,388 million and total EBITDA for the period was HK$5,865 million, an increase of 2% over the same period in 2015. Adjusted funds flow for the six months ended June 30, 2016 reached HK$2,051 million, an increase of 5% over the same period in 2015.

HKT announced an interim distribution of 27.09 HK cents per share stapled unit.

For a more detailed review of the performance of HKT, please refer to its 2016 interim results announcement released on August 10, 2016.

Now TV Business

For the six months ended HK$ million	Jun 30, 2015	Dec 31, 2015	**Jun 30, 2016**	Better/ (Worse) y-o-y
Now TV Business Revenue	1,425	1,513	**1,391**	(2)%
Now TV Business EBITDA[1]	207	284	**184**	(11)%
Now TV Business EBITDA[1] margin	*15%*	*19%*	***13%***	

Benefitting from PCCW's quadruple-play capability, Now TV Business continued to record a net increase in subscribers despite increased competition from existing and new players. Now TV Business's total installed subscriber base reached 1,308,000 as at June 30, 2016, which represented a net gain of 16,000 subscribers from 12 months ago.

Exit average revenue per user ("ARPU") at the end of June 2016 softened to HK$194 as pricing incentives were offered to lock in subscribers ahead of the 2016/17 Premier League season. Now TV Business was also impacted by a weaker advertising market due to the challenging economic conditions. As a result, revenue for the Now TV Business for the six months ended June 30, 2016 was marginally lower by 2% to HK$1,391 million, from HK$1,425 million a year earlier.

The softer revenue and higher content costs due to increased competition were reflected in the EBITDA of HK$184 million, compared to HK$207 million a year ago. EBITDA margin was also lower at 13%.

Now TV Business has collaborated with HKT recently to jointly rollout the Now One 4K all-in-one consumer appliance. This is expected to help stimulate new customer subscriptions and service upgrades from existing Now TV customers.

OTT Business

For the six months ended HK$ million	Jun 30, 2015	Dec 31, 2015	**Jun 30, 2016**	Better/ (Worse) y-o-y
OTT Business Revenue	165	267	**271**	64%
OTT Business EBITDA[1]	(17)	(41)	**(109)**	>(500)%

Revenue from the OTT Business grew by 64% to HK$271 million from HK$165 million a year ago primarily due to the regional expansion of the OTT video business under the Viu brand. The Viu service is available in 16 markets including recent launches in Hong Kong, Singapore, Malaysia, India and Indonesia. The paying subscription base of our OTT Business exceeded 10 million as at the end of June 2016.

The Viu service has been positively received by users with more than 1.6 million downloads in Hong Kong and over 600,000 downloads in Singapore. Users in Hong Kong, Singapore, Malaysia and Indonesia consumed 1.2 to 1.8 hours of videos per day and averaged 10.5 video views per week during the month of June 2016.

We will further expand the Viu service in markets across Asia to fully leverage our content library and position Viu as the leading OTT video service provider of premium Asian content in the region.

As a result of the initial investments in branding, content and new market launches, the OTT Business incurred an EBITDA cost of HK$109 million.

Free TV Business

For the six months ended HK$ million	Jun 30, 2015	Dec 31, 2015	**Jun 30, 2016**	Better/ (Worse) y-o-y
Free TV Business Revenue	–	–	**52**	n/a
Free TV Business EBITDA[1]	(8)	(32)	**(68)**	>(500)%

The Free TV Business, under the brand ViuTV, was officially launched on April 6, 2016. Revenue from the Free TV Business since its launch to the end of the period was HK$52 million.

ViuTV has attained broad awareness and viewership of its programs and achieved consolidated ratings that are encouraging. These ratings reflect viewership across multiple platforms, including traditional television, online and via apps on smart phones and tablets. Consolidated viewership across multiple platforms will continue to be a focus for ViuTV as it caters to the diverse viewing habits of its target audience.

As a result of the initial investments in branding, content and personnel, there was an EBITDA cost of HK$68 million in the six months ended June 30, 2016. As the business is in its early stage, ViuTV sees the need to make further investments in high quality content to retain and attract viewers and advertisers.

Solutions Business

For the six months ended HK$ million	Jun 30, 2015	Dec 31, 2015	**Jun 30, 2016**	Better/ (Worse) y-o-y
Solutions Business Revenue	1,500	2,094	**1,587**	6%
Solutions Business EBITDA[1]	246	442	**254**	3%
Solutions Business EBITDA[1] margin	*16%*	*21%*	***16%***	

The Solutions Business recorded a 6% increase in revenue to HK$1,587 million for the six months ended June 30, 2016, from HK$1,500 million a year ago, as it completed a number of significant systems integration and application development and maintenance projects in the public sector and hospitality industry in Hong Kong. Revenue generated in the first half of 2016 was 57% recurring in nature and 43% project-based.

Revenue for the Solutions Business continues to be well diversified across service line and industry verticals. Revenue breakdown by service line for the six months ended June 30, 2016 was: Cloud Solutions & Infrastructure 27%, Enterprise Applications 26%, Technical Services 23%, Application Development & Maintenance 18% and Business Process Outsourcing 6%.

Revenue by client industry for the six months ended June 30, 2016 was: Public Sector 35%, Telecommunications 30%, Travel & Hospitality 10%, Hi-Tech & Media 8%, Retail & Manufacturing 7%, Banking, Financial Services & Insurance 6% and other industries 4%.

EBITDA for the six months ended June 30, 2016 increased by 3% to HK$254 million from HK$246 million a year ago, with the margin steady at approximately 16%.

As at June 30, 2016, the Solutions Business had secured orders with a value of HK$6,787 million, 29% higher than a year ago, even though the weak economic conditions entailed a more cautious attitude on IT spending. This significant improvement in secured orders was primarily the result of a number of major contracts from the public sector, including the Civil Aviation Department, as well as digital transformation projects for customers in the retail and other sectors.

PCPD

PCPD recorded total revenue of HK$115 million and negative EBITDA of HK$121 million for the six months ended June 30, 2016, compared with total revenue of HK$99 million and negative EBITDA of HK$101 million a year earlier.

The construction works of PCPD's Premium Grade A office building in Jakarta, Indonesia, are proceeding well. The building, named as Pacific Century Place Jakarta, has reached the topping-out stage. PCPD is confident that the building will be completed and in operation around 2017-2018 and it is expected the building could generate recurrent income to the Group from this point onwards. The leasing activities of the building are also in full swing with Citibank Indonesia, Sotheby's Hong Kong Limited and FWD have committed to take up part of the office space.

The other projects including the one in Hokkaido, Japan are also proceeding according to their respective schedules.

For more information about the performance of PCPD, please refer to its 2016 interim results announcement released on August 10, 2016.

Other Businesses

Other Businesses primarily comprises corporate support functions and the wireless broadband business in the United Kingdom under the brand name Relish which currently operates in the Central London region. Revenue from Other Businesses was HK$30 million for the six months ended June 30, 2016 (June 30, 2015: HK$25 million) driven mainly by the progress in Relish's business, while the EBITDA cost of the Group's Other Businesses was HK$304 million (June 30, 2015: HK$324 million).

Eliminations

Eliminations for the six months ended June 30, 2016 were HK$1,310 million (June 30, 2015: HK$1,106 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	Jun 30, 2015	Dec 31, 2015	**Jun 30, 2016**	Better/ (Worse) y-o-y
HKT	6,544	8,995	**6,973**	(7)%
The Group (excluding PCPD)	8,003	10,908	**8,457**	(6)%
Consolidated	8,027	10,938	**8,494**	(6)%

HKT's cost of sales for the six months ended June 30, 2016 increased by 7% to HK$6,973 million. Gross margin was 57% in the first half of 2016, as compared to 59% a year ago primarily due to dilution from the lower margin mobile handset sales.

Cost of sales for the core businesses increased by 6% mainly driven by the higher cost of sales at HKT. Gross margin for the core businesses was 54% in first half of 2016, as compared to 55% a year ago.

The Group's consolidated total cost of sales for the six months ended June 30, 2016 increased by 6% to HK$8,494 million.

General and Administrative Expenses

During the period, operating costs before depreciation, amortization, and gain on disposal of property, plant and equipment, net, increased by 1% year-on-year to HK$4,421 million. There was a decline in operating costs at HKT resulting from the continued release of cost synergies from the CSL Holdings Limited ("CSL") integration as well as at the Solutions Business due to improved staff utilization. These cost savings were offset by investments made by the Media Business to drive growth in its OTT Business and launch the Free TV Business. As a result, operating costs to revenue ratio was stable at 24%.

Depreciation and amortization expenses increased by 9% year-on-year to HK$3,208 million for the six months ended June 30, 2016. Depreciation expenses declined by 19% which was primarily attributable to the write-off of certain depleted network assets during the CSL integration and the review of the useful lives of new network assets that were deployed as part of the CSL integration. Amortization expenses increased by 25% largely arising from increased investments in content at the Media Business to support the growth in the OTT and Free TV Businesses. Content related amortization for the period was HK$150 million.

As a result, general and administrative expenses increased by 5% year-on-year to HK$7,627 million for the six months ended June 30, 2016.

EBITDA[1]

Core EBITDA for the six months ended June 30, 2016 decreased by 1% year-on-year to HK$5,730 million with the margin slightly declining to 31% due to the investments made in the OTT and Free TV Businesses. Consolidated EBITDA decreased by 1% year-on-year to HK$5,609 million for the period representing a margin of 30%.

Interest Income and Finance Costs

Interest income for the six months ended June 30, 2016 was HK$27 million and finance costs decreased by 18% year-on-year to HK$627 million. As a result, net finance costs decreased by 18% year-on-year to HK$600 million for the six months ended June 30, 2016 mainly due to the reduction in the average cost of debt following the refinancing of the US$500 million 5.25% guaranteed notes and the US$500 million 4.25% guaranteed notes in July 2015 and February 2016 respectively. Hence, the average cost of debt was 2.6% during the period, as compared to 2.9% a year ago.

Income Tax

Income tax expenses for the six months ended June 30, 2016 was HK$65 million, as compared to HK$209 million a year ago, representing an effective tax rate of 4% for the period. The decrease in tax expenses is mainly due to the recognition of a deferred income tax asset resulting from a loss-making company turning profitable and a credit upon reassessment of certain previously recognised tax items during the period.

Non-controlling Interests

Non-controlling interests were HK$836 million for the six months ended June 30, 2016 (June 30, 2015: HK$822 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, 2016 decreased by 19% year-on-year to HK$868 million (June 30, 2015: HK$1,070 million).

LIQUIDITY AND CAPITAL RESOURCES

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

The Group's gross debt[2] was HK$44,117 million as at June 30, 2016 (December 31, 2015: HK$42,722 million). Cash and cash equivalents totaled HK$5,638 million as at June 30, 2016 (December 31, 2015: HK$7,503 million). The Group's gross debt[2] to total assets was 57% as at June 30, 2016 (December 31, 2015: 57%).

In July 2016, HKT took advantage of a favorable market window post Brexit and raised US$750 million 10-year guaranteed notes at a coupon of 3.00%. The proceeds will be used for general corporate purposes including the repayment of existing indebtedness.

As at June 30, 2016, the Group had a total of HK$42,996 million in committed bank loan facilities available for liquidity management, of which HK$13,804 million remained undrawn. Of these committed bank loan facilities, HKT accounted for HK$31,391 million, of which HK$6,310 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2016, 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, 2016 was HK$1,595 million (June 30, 2015: HK$1,548 million), of which HKT accounted for about 93% (June 30, 2015: 85%). A significant proportion of the capital investment made by the Group was attributable to investments in network integration for the Mobile business at HKT. There was investment in the Media Business to upgrade broadcasting equipment while the investment in the Solutions Business has tapered down as we have completed the most recent data centre investment cycle.

The Group will continue to invest in its delivery platforms 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 currencies 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, 2016, all forward and swap contracts were designated as cash flow hedges and/or fair value hedges for the Group's foreign currency denominated borrowings.

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

CHARGE ON ASSETS

As at June 30, 2016, certain assets of the Group with an aggregate carrying value of HK$2,769 million (December 31, 2015: HK$2,242 million) and performance guarantee of approximately HK$162 million (December 31, 2015: HK$161 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 Dec 31, 2015 (Audited)	**As at Jun 30, 2016 (Unaudited)**
Performance guarantees	2,391	**2,581**
Others	90	**78**
	2,481	**2,659**

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 24,500 employees as at June 30, 2016 (June 30, 2015: 23,300) located in over 45 countries and cities. About 63% of these employees work in Hong Kong and the others are based mainly in mainland China, the United States and the Philippines. The Group has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve the Group's business performance targets. Payment of performance 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 performance ratings of employees.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 8.16 HK cents (June 30, 2015: 7.96 HK cents) per ordinary share for the six months ended June 30, 2016 to shareholders whose names appear on the register of members of the Company on Thursday, September 1, 2016. The Board has also proposed to offer eligible shareholders the option to participate in a scrip dividend alternative to elect to receive the interim dividend wholly or partly in the form of new shares instead of cash (the "2016 Interim Scrip Dividend Scheme"). The 2016 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 2016 Interim Scrip Dividend Scheme. Full details of the 2016 Interim Scrip Dividend Scheme will be set out in a circular proposed to be despatched to shareholders on or around Friday, September 9, 2016.

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2016

In HK$ million (except for earnings per share)	Note(s)	2015 (Unaudited)	**2016** **(Unaudited)**
Revenue	2	18,082	**18,524**
Cost of sales		(8,027)	**(8,494)**
General and administrative expenses		(7,298)	**(7,627)**
Other gains/(losses), net	3	60	**(53)**
Interest income		35	**27**
Finance costs		(764)	**(627)**
Share of results of associates		19	**25**
Share of results of joint ventures		(6)	**(6)**
Profit before income tax	2, 4	2,101	**1,769**
Income tax	5	(209)	**(65)**
Profit for the period		1,892	**1,704**
Attributable to:			
Equity holders of the Company		1,070	**868**
Non-controlling interests		822	**836**
Profit for the period		1,892	**1,704**
Earnings per share	7		
Basic		14.39 cents	**11.40 cents**
Diluted		14.36 cents	**11.39 cents**

The notes on pages 29 to 44 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2016

In HK$ million	2015 (Unaudited)	**2016 (Unaudited)**
Profit for the period	1,892	**1,704**
Other comprehensive (loss)/income		
Items that have been reclassified or may be reclassified subsequently to income statement:		
Exchange differences on translating foreign operations	(180)	**143**
Available-for-sale financial assets:		
– changes in fair value	(59)	**(4)**
Cash flow hedges:		
– effective portion of changes in fair value	(168)	**522**
– transfer from equity to income statement	(36)	**(41)**
Other comprehensive (loss)/income for the period	(443)	**620**
Total comprehensive income for the period	1,449	**2,324**
Attributable to:		
Equity holders of the Company	725	**1,311**
Non-controlling interests	724	**1,013**
Total comprehensive income for the period	1,449	**2,324**

The notes on pages 29 to 44 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at June 30, 2016

In HK$ million	Note*	The Group As at December 31, 2015 (Audited)	The Group As at June 30, 2016 (Unaudited)	(Additional information) The Company As at December 31, 2015 (Audited)	(Additional information) The Company As at June 30, 2016 (Unaudited)
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		18,713	**19,501**	–	**–**
Investment properties		2,084	**2,578**	–	**–**
Interests in leasehold land		442	**431**	–	**–**
Properties held for/under development		851	**935**	–	**–**
Goodwill		18,183	**18,172**	–	**–**
Intangible assets		10,526	**10,198**	–	**–**
Interests in subsidiaries		–	**–**	17,072	**17,072**
Interests in associates		618	**716**	–	**–**
Interests in joint ventures		485	**614**	–	**–**
Available-for-sale financial assets		806	**878**	–	**–**
Derivative financial instruments		–	**136**	–	**34**
Deferred income tax assets		1,066	**1,172**	–	**–**
Other non-current assets		845	**959**	–	**–**
		54,619	**56,290**	17,072	**17,106**
Current assets					
Amounts due from subsidiaries		–	**–**	18,862	**20,623**
Sales proceeds held in stakeholders' accounts		513	**511**	–	**–**
Restricted cash		106	**128**	–	**–**
Prepayments, deposits and other current assets		7,106	**8,621**	36	**34**
Inventories		774	**1,163**	–	**–**
Amounts due from related companies		90	**95**	–	**–**
Derivative financial instruments		60	**–**	–	**–**
Trade receivables, net	8	3,969	**4,312**	–	**–**
Tax recoverable		17	**16**	–	**–**
Short-term deposits		1	**5**	–	**–**
Cash and cash equivalents		7,503	**5,638**	815	**374**
		20,139	**20,489**	19,713	**21,031**

In HK$ million		The Group		(Additional information) The Company	
		As at		As at	
	Note*	December 31, 2015 (Audited)	**June 30, 2016 (Unaudited)**	December 31, 2015 (Audited)	**June 30, 2016 (Unaudited)**
Current liabilities					
Short-term borrowings	10	(3,879)	**(2,329)**	–	**–**
Trade payables	9	(2,494)	**(2,564)**	–	**–**
Accruals and other payables		(6,763)	**(6,939)**	(12)	**(9)**
Amount payable to the Government under the Cyberport Project Agreement		(322)	**(322)**	–	**–**
Carrier licence fee liabilities		(448)	**(466)**	–	**–**
Amounts due to related companies		(69)	**(90)**	–	**–**
Advances from customers		(2,168)	**(2,203)**	–	**–**
Current income tax liabilities		(1,350)	**(1,368)**	–	**–**
		(17,493)	**(16,281)**	(12)	**(9)**
Non-current liabilities					
Long-term borrowings		(38,090)	**(41,203)**	(2,690)	**(3,582)**
Amounts due to subsidiaries		–	**–**	(2,987)	**(3,125)**
Derivative financial instruments		(586)	**(35)**	(143)	**–**
Deferred income tax liabilities		(2,775)	**(2,834)**	–	**–**
Deferred income		(1,079)	**(1,003)**	–	**–**
Defined benefit liability		(133)	**(130)**	–	**–**
Carrier licence fee liabilities		(627)	**(582)**	–	**–**
Other long-term liabilities		(633)	**(699)**	–	**–**
		(43,923)	**(46,486)**	(5,820)	**(6,707)**
Net assets		13,342	**14,012**	30,953	**31,421**
CAPITAL AND RESERVES					
Share capital	11	12,505	**12,934**	12,505	**12,934**
Reserves		(1,481)	**(1,453)**	18,448	**18,487**
Equity attributable to equity holders of the Company		11,024	**11,481**	30,953	**31,421**
Non-controlling interests		2,318	**2,531**	–	**–**
Total equity		13,342	**14,012**	30,953	**31,421**

* The notes referenced above pertain solely to the consolidated statement of financial position. The above Company statement of financial position as at June 30, 2016 and December 31, 2015 is presented only as additional information to this unaudited condensed consolidated interim financial information.

The notes on pages 29 to 44 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2016

In HK$ million

2015 (Unaudited)

	Attributable to equity holders of the Company										Non-controlling interests	Total equity
	Share capital	Special capital reserve	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Available-for-sale financial assets reserve	Other reserves	Accumulated losses	Total		
At January 1, 2015	11,720	4,426	(45)	89	(605)	119	279	(113)	(5,713)	10,157	2,212	12,369
Total comprehensive income/(loss) for the period												
Profit for the period	–	–	–	–	–	–	–	–	1,070	1,070	822	1,892
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)
– transfer from equity to income statement	–	–	–	–	–	(19)	–	–	–	(19)	(17)	(36)
Other comprehensive loss	–	–	–	–	(158)	(141)	(46)	–	–	(345)	(98)	(443)
Total comprehensive income/(loss) for the period	–	–	–	–	(158)	(141)	(46)	–	1,070	725	724	1,449
Transactions with equity holders												
Purchase of shares of PCCW Limited ("PCCW Shares") under share award scheme	–	–	(29)	–	–	–	–	–	–	(29)	–	(29)
Purchase of share stapled units of HKT Trust and HKT Limited ("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	–
Distribution for Share Stapled Units granted under share award schemes	–	–	–	(1)	–	–	–	–	–	(1)	(1)	(2)
PCCW Shares issued in lieu of cash dividends	489	–	–	–	–	–	–	–	–	489	–	489
Final dividend paid in respect of previous year *(note 6(b))*	–	(983)	–	(2)	–	–	–	–	–	(985)	–	(985)
Distribution/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)
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)
At June 30, 2015	12,209	3,443	(52)	62	(763)	(22)	233	(113)	(4,665)	10,332	2,267	12,599

In HK$ million

2016 (Unaudited)

	Attributable to equity holders of the Company										Non-controlling interests	Total equity
	Share capital	Special capital reserve	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Available-for-sale financial assets reserve	Other reserves	Accumulated losses	Total		
At January 1, 2016	12,505	2,844	(35)	83	(950)	(132)	288	(113)	(3,466)	11,024	2,318	13,342
Total comprehensive income/(loss) for the period												
Profit for the period	–	–	–	–	–	–	–	–	868	868	836	1,704
Other comprehensive income/(loss)												
Items that have been reclassified or may be reclassified subsequently to income statement:												
Exchange differences on translating foreign operations	–	–	–	–	126	–	–	–	–	126	17	143
Available-for-sale financial assets:												
– changes in fair value	–	–	–	–	–	–	(4)	–	–	(4)	–	(4)
Cash flow hedges:												
– effective portion of changes in fair value	–	–	–	–	–	347	–	–	–	347	175	522
– transfer from equity to income statement	–	–	–	–	–	(26)	–	–	–	(26)	(15)	(41)
Other comprehensive income/(loss)	–	–	–	–	126	321	(4)	–	–	443	177	620
Total comprehensive income/(loss) for the period	–	–	–	–	126	321	(4)	–	868	1,311	1,013	2,324
Transactions with equity holders												
Purchase of PCCW Shares under share award scheme	–	–	(3)	–	–	–	–	–	–	(3)	–	(3)
Purchase of Share Stapled Units under share award schemes	–	–	–	–	–	–	–	–	(3)	(3)	–	(3)
Employee share-based compensation	–	–	–	31	–	–	–	–	–	31	7	38
Vesting of PCCW Shares and Share Stapled Units under share award schemes	–	–	17	(59)	–	–	–	–	35	(7)	7	–
Distribution for Share Stapled Units granted under share award schemes	–	–	–	(1)	–	–	–	–	(1)	(2)	1	(1)
PCCW Shares issued in lieu of cash dividends	429	–	–	–	–	–	–	–	–	429	–	429
Final dividend paid in respect of previous year *(note 6(b))*	–	(1,298)	–	(1)	–	–	–	–	–	(1,299)	–	(1,299)
Distribution/Dividend declared and paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(814)	(814)
Total contributions by and distributions to equity holders	429	(1,298)	14	(30)	–	–	–	–	31	(854)	(799)	(1,653)
Change in ownership interests in a subsidiary without change of control	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Total changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Total transactions with equity holders	429	(1,298)	14	(30)	–	–	–	–	31	(854)	(800)	(1,654)
At June 30, 2016	12,934	1,546	(21)	53	(824)	189	284	(113)	(2,567)	11,481	2,531	14,012

The notes on pages 29 to 44 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, 2016

In HK$ million	2015 (Unaudited)	**2016 (Unaudited)**
Net cash generated from operating activities	5,056	**3,442**
Investing activities		
Net outflow of cash and cash equivalents in respect of business combinations	(1,295)	**(5)**
Investments in an associate and a joint venture	–	**(179)**
Other investing activities	(4,257)	**(4,194)**
Net cash used in investing activities	(5,552)	**(4,378)**
Financing activities		
New borrowings raised, net	9,761	**8,950**
Other financing activities (including repayment of borrowings)	(10,606)	**(9,881)**
Net cash used in financing activities	(845)	**(931)**
Net decrease in cash and cash equivalents	(1,341)	**(1,867)**
Exchange differences	(35)	**2**
Cash and cash equivalents at January 1,	7,943	**7,503**
Cash and cash equivalents at June 30,	6,567	**5,638**
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	7,013	**5,771**
Less: Short-term deposits	(350)	**(5)**
Less: Restricted cash	(96)	**(128)**
	6,567	**5,638**

The notes on pages 29 to 44 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, 2015.

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 11, 2016.

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 financial information relating to the year ended December 31, 2015 that is included in this unaudited condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

– The Company has delivered the financial statements for the year ended December 31, 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

– The Company's auditor has reported on those financial statements of the Group. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

1 BASIS OF PREPARATION *(CONTINUED)*

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. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2015, with the exception of changes in estimates that are required in determining the useful lives of certain property, plant and equipment. As part of the Group's continuous accounting procedure, it is required to reassess the useful lives of the property, plant and equipment on a regular basis. Pursuant to such reassessment, the profit attributable to the equity holders of the Company for the six months ended June 30, 2016 increased by HK$138 million and the equity attributable to the equity holders of the Company as at June 30, 2016 increased by HK$138 million.

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, 2015, except for the adoption of the following new or amended Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs (collectively "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2016 as described below.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2016, but have had no material effect on the Group's reported results and financial position for the current and prior accounting periods:

- HKAS 1 (Amendment), Presentation of Financial Statements – Disclosure Initiative.
- HKAS 16 (Amendment), Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation and Amortization.
- HKAS 16 (Amendment), Property, Plant and Equipment – Agriculture: Bearer Plants.
- HKAS 27 (2011) (Amendment), Separate Financial Statements – Equity Method in Separate Financial Statements.
- HKAS 28 (2011) (Amendment), Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception.
- HKAS 38 (Amendment), Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization.
- HKAS 41 (Amendment), Agriculture: Bearer Plants.
- HKFRS 10 (Amendment), Consolidated Financial Statements – Investment Entities: Applying the Consolidation Exception.
- HKFRS 11 (Amendment), Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations.
- HKFRS 12 (Amendment), Disclosure of Interests in Other Entities – Investment Entities: Applying the Consolidation Exception.
- HKFRS 14, Regulatory Deferral Accounts.
- Annual Improvements to 2012-2014 Cycle published in October 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 digital media entertainment platform and directories operations in Hong Kong, mainland China and other parts of the world. The Group also operates a domestic free television service in Hong Kong.

– 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, 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	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

In HK$ million	**For the six months ended June 30, 2016 (Unaudited)**						
	HKT	**Media Business**	**Solutions Business**	**Other Businesses**	**PCPD**	**Eliminations**	**Consolidated**
REVENUE							
External revenue	**16,074**	**1,126**	**1,182**	**28**	**114**	**–**	**18,524**
Inter-segment revenue	**314**	**588**	**405**	**2**	**1**	**(1,310)**	**–**
Total revenue	**16,388**	**1,714**	**1,587**	**30**	**115**	**(1,310)**	**18,524**
RESULTS							
EBITDA	**5,865**	**7**	**254**	**(304)**	**(121)**	**(92)**	**5,609**

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, 2015 (Unaudited)	**2016 (Unaudited)**
Total segment EBITDA	5,683	**5,609**
Gain on disposal of property, plant and equipment, net	4	**2**
Depreciation and amortization	(2,930)	**(3,208)**
Other gains/(losses), net	60	**(53)**
Interest income	35	**27**
Finance costs	(764)	**(627)**
Share of results of associates and joint ventures	13	**19**
Profit before income tax	2,101	**1,769**

3 OTHER GAINS/(LOSSES), NET

In HK$ million	Six months ended June 30, 2015 (Unaudited)	**2016 (Unaudited)**
Gain on remeasuring an available-for-sale investment upon a step acquisition	29	**–**
Net gains on cash flow hedging instruments transferred from equity	1	**–**
Net gains on fair value hedging instruments	24	**4**
Fair value movement of derivative financial instrument	–	**(60)**
Net realized gains on disposal of available-for-sale financial assets	9	**3**
Others	(3)	**–**
	60	**(53)**

4 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK$ million	Six months ended June 30, 2015 (Unaudited)	**2016 (Unaudited)**
Cost of inventories sold	1,912	**2,413**
Cost of sales, excluding inventories sold	6,115	**6,081**
Depreciation of property, plant and equipment	1,057	**860**
Amortization of intangible assets	1,862	**2,337**
Amortization of land lease premium – interests in leasehold land	11	**11**
Finance costs on borrowings	703	**623**

5 INCOME TAX

In HK$ million	Six months ended June 30, 2015 (Unaudited)	**2016 (Unaudited)**
Current income tax:		
Hong Kong profits tax	273	**65**
Overseas tax	13	**47**
Movement of deferred income tax	(77)	**(47)**
	209	**65**

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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, 2015 (Unaudited)	**2016 (Unaudited)**
Interim dividend declared after the interim period of 8.16 HK cents (2015: 7.96 HK cents) per ordinary share	601	**629**

At a meeting held on August 11, 2016, the directors declared an interim dividend of 8.16 HK cents per ordinary share for the year ending December 31, 2016. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information.

The 2016 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, 2015 (Unaudited)	**2016 (Unaudited)**
Final dividend in respect of the previous financial year, approved and paid during the interim period of 17.04 HK cents (2015: 13.21 HK cents) per ordinary share *(note i)*	985	**1,299**
Less: dividend for PCCW Shares held by share award schemes	(2)	**(1)**
	983	**1,298**

i. The 2015 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, 2016.

7 EARNINGS PER SHARE

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

	Six months ended June 30, 2015 (Unaudited)	**2016 (Unaudited)**
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per share	1,070	**868**
Number of shares		
Weighted average number of ordinary shares	7,456,334,207	**7,625,980,832**
Effect of PCCW Shares held under the Company's share award schemes	(18,814,223)	**(12,383,503)**
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,437,519,984	**7,613,597,329**
Effect of PCCW Shares awarded under the Company's share award schemes	11,915,439	**8,279,254**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,449,435,423	**7,621,876,583**

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, 2015 (Audited)	**June 30, 2016 (Unaudited)**
1–30 days	2,297	**2,937**
31–60 days	651	**471**
61–90 days	256	**207**
91–120 days	207	**159**
Over 120 days	805	**819**
	4,216	**4,593**
Less: Impairment loss for doubtful debts	(247)	**(281)**
	3,969	**4,312**

Included in trade receivables, net were amounts due from related parties of HK$21 million and HK$49 million as at June 30, 2016 and December 31, 2015 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, 2015 (Audited)	As at **June 30, 2016 (Unaudited)**
1–30 days	1,571	**1,501**
31–60 days	102	**144**
61–90 days	81	**134**
91–120 days	101	**75**
Over 120 days	639	**710**
	2,494	**2,564**

Included in trade payables were amounts due to related parties of HK$81 million and HK$61 million as at June 30, 2016 and December 31, 2015 respectively.

10 SHORT-TERM BORROWINGS

On August 24, 2010, PCCW-HKT Capital No.4 Limited, an indirect non-wholly owned subsidiary of the Company, issued US$500 million 4.25% guaranteed notes due 2016, which were listed on the Singapore Exchange Securities Trading Limited. The notes were 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 ranked pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

The notes were fully redeemed in February 2016 and were delisted from the Singapore Exchange Securities Trading Limited.

As at June 30, 2016, short-term borrowings represented bank borrowings to be repaid in the next twelve months.

11 SHARE CAPITAL

	Six months ended June 30, 2015 Number of shares (Unaudited)	Share capital (Unaudited) HK$ million	**2016 Number of shares (Unaudited)**	**Share capital (Unaudited) HK$ million**
Issued and fully paid:				
As at January 1,	7,453,177,661	11,720	**7,621,350,679**	**12,505**
PCCW Shares issued in lieu of cash dividends *(note a)*	96,011,595	489	**84,268,778**	**429**
As at June 30,	7,549,189,256	12,209	**7,705,619,457**	**12,934**

a. During the six months ended June 30, 2016, the Company issued and allotted 84,268,778 new fully paid shares (2015: 96,011,595 new fully paid shares) at HK$5.096 (2015: HK$5.088) per share to the shareholders who elected to receive PCCW Shares in lieu of cash for 2015 final dividend (2015: 2014 final dividend) pursuant to the scrip dividend scheme.

b. The Company had total distributable reserves of HK$18,452 million as at June 30, 2016 (December 31, 2015: HK$18,460 million).

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, 2016.

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, 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

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

	Six months ended June 30, 2016	
	Number of PCCW Shares (Unaudited)	**Number of Share Stapled Units (Unaudited)**
As at January 1, 2016	**15,056,851**	**9,791,564**
Purchase from the market by the trustee at average market price of HK$5.08 per PCCW Share/HK$11.15 per Share Stapled Unit	**538,000**	**243,000**
PCCW Shares/Share Stapled Units vested	**(7,161,772)***	**(4,499,011)***
As at June 30, 2016	**8,433,079**	**5,535,553**

The average fair values of the PCCW Shares and the Share Stapled Units awarded during the six months ended June 30, 2016 at the dates of award are HK$5.08 (2015: HK$5.35) per PCCW Share and HK$10.92 (2015: HK$10.30) 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.

* Included 1,473 PCCW Shares and 1,302 Share Stapled Units vested during the six months ended June 30, 2016 pursuant to the delegated authority of the relevant board committees on compassionate grounds.

13 CAPITAL COMMITMENTS

In HK$ million	As at December 31, 2015 (Audited)	As at **June 30, 2016 (Unaudited)**
Authorized and contracted for	2,144	**1,879**

Included in the capital commitments were commitments of HK$768 million and HK$701 million for the purchase of property, plant and equipment as at June 30, 2016 and December 31, 2015 respectively.

Additions of property, plant and equipment were HK$1,595 million and HK$1,548 million for the six months ended June 30, 2016 and 2015 respectively.

14 CONTINGENT LIABILITIES

In HK$ million	As at December 31, 2015 (Audited)	As at **June 30, 2016 (Unaudited)**
Performance guarantees	2,391	**2,581**
Others	90	**78**
	2,481	**2,659**

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, 2015 (Audited)	**As at June 30, 2016 (Unaudited)**
Property, plant and equipment	2	**2**
Investment properties	2,058	**2,552**
Other current assets	143	**153**
Restricted cash	–	**7**
Cash and cash equivalents	39	**55**
	2,242	**2,769**

Performance guarantee of approximately HK$162 million (December 31, 2015: HK$161 million) in relation to the construction of the Premium Grade A office building in Jakarta, Indonesia was pledged for certain bank loan facilities as at June 30, 2016.

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, 2015 (Unaudited)	**Six months ended June 30, 2016 (Unaudited)**
Telecommunications service fees, facility management service charges and interest income received or receivable from joint ventures	a	29	**32**
Consultancy service charges and interest income received or receivable from an associate	a	7	**7**
Telecommunications service fees, system integration charges and data center hosting service fees received or receivable from a substantial shareholder	a	49	**70**
Telecommunications service fees, outsourcing fees and rental charges paid or payable to joint ventures	a	136	**155**
Telecommunications service fees and facility management service charges paid or payable to a substantial shareholder	a	92	**62**
Consideration paid or payable for the purchase of equipment from a joint venture	a	14	**1**
Key management compensation	b	52	**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, 2015 (Unaudited)	Six months ended June 30, 2016 (Unaudited)
Salaries and other short-term employee benefits	44	**44**
Share-based compensation	6	**6**
Post-employment benefits	2	**2**
	52	**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 as 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, 2015. There have been no material changes in the financial management policies and practices since December 31, 2015.

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 as at December 31, 2015:

In HK$ million		As at December 31, 2015 (Audited)		
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
– Listed equity securities	24	–	–	24
– Unlisted equity securities	–	–	782	782
Derivative financial instruments (current)	–	60	–	60
Total assets	24	60	782	866
Liabilities				
Contingent consideration payable	–	–	(22)	(22)
Derivative financial instruments (non-current)	–	(586)	–	(586)
Total Liabilities	–	(586)	(22)	(608)

The following table presents the Group's financial instruments that are measured at fair value as at June 30, 2016:

In HK$ million		**As at June 30, 2016 (Unaudited)**		
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale financial assets				
– Listed equity securities	**19**	**–**	**–**	**19**
– Unlisted equity securities	**–**	**–**	**859**	**859**
Derivative financial instruments (non-current)	**–**	**136**	**–**	**136**
Total assets	**19**	**136**	**859**	**1,014**
Liabilities				
Contingent consideration payable	**–**	**–**	**(22)**	**(22)**
Derivative financial instruments (non-current)	**–**	**(35)**	**–**	**(35)**
Total Liabilities	**–**	**(35)**	**(22)**	**(57)**

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, interest rate 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 the spot and forward exchange rates that are quoted in an active market and the observable 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, 2015: 3–20)
– Liquidity discount: 15%–30% (December 31, 2015: 15%–30%)
– Market size discount: 15%–70% (December 31, 2015: 15%–70%)
– Future growth rates: 10%–50% (December 31, 2015: 10%–50%)

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the six months ended June 30, 2016.

There were no material changes in valuation techniques during the six months ended June 30, 2016.

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, 2015 and 2016:

In HK$ million	Available-for-sale financial assets – unlisted equity securities Six months ended June 30,		Contingent consideration payable Six months ended June 30,	
	2015 (Unaudited)	**2016 (Unaudited)**	2015 (Unaudited)	**2016 (Unaudited)**
At January 1,	650	**782**	–	**(22)**
Additions	126	**77**	–	**–**
Reclassification of equity interests upon step acquisition	(78)	**–**	–	**–**
Disposals	(7)	**–**	–	**–**
At June 30,	691	**859**	–	**(22)**

During the six months ended June 30, 2015 and 2016, 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, 2015 and June 30, 2016 except as follows:

In HK$ million	**As at**			
	December 31, 2015 (Audited)		**June 30, 2016 (Unaudited)**	
	Carrying amount	Fair value	**Carrying amount**	**Fair value**
Short-term borrowings	(3,879)	(3,890)	**(2,329)**	**(2,329)**
Long-term borrowings	(38,090)	(38,600)	**(41,203)**	**(42,246)**

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 DURING THE SIX MONTHS ENDED JUNE 30, 2015

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

During the six-month period ended June 30, 2015, the Group completed the acquisition in stages of an aggregate of approximately 94.8% 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. Vuclip, Inc. is a leading premium mobile video on demand service provider in emerging markets.

During the six-month period ended June 30, 2016, the purchase price allocation process has been finalized. The fair values of the acquirees' identifiable assets, liabilities and contingent liabilities are concluded to be the same as their provisional amounts as at the date when the Group obtained control of the acquired companies. As a result, no adjustment to the provisional amounts and goodwill for the six-month period ended June 30, 2016 is required.

As at June 30, 2016, the goodwill of HK$949 million 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.

b. Acquisition of Keycom plc (now known as Relish Networks plc) and its subsidiaries (together "Relish")

During the six-month period ended June 30, 2015, the Group completed the acquisition of 100% of the then issued ordinary share capital of Relish Networks plc for a total consideration of approximately £16.6 million (approximately HK$196 million). Relish Networks plc is a company engaged in the design, development and delivery of communications and multimedia services via high-speed connectivity in the United Kingdom.

During the six-month period ended June 30, 2016, the purchase price allocation process has been finalized. The fair values of the acquirees' identifiable assets, liabilities and contingent liabilities are concluded to be the same as their provisional amounts as at acquisition date. As a result, no adjustment to the provisional amounts and goodwill for the six-month period ended June 30, 2016 is required.

As at June 30, 2016, the goodwill of HK$128 million 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 Relish.

19 SUBSEQUENT EVENT

In July 2016, HKT Capital No. 4 Limited, an indirect non-wholly owned subsidiary of the Company, issued US$750 million 3.00% guaranteed notes due 2026, which are listed on the Singapore Exchange Securities Trading Limited for general corporate purposes including repayment of existing indebtedness. 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.

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, 2016, 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 HKT Trust and HKT Limited (the "Share Stapled Units"), underlying shares, underlying Share Stapled Units and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

1. Interests in the Company

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

	Number of ordinary shares held					
Name of Director/Chief Executive	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of shares of the Company in issue
Li Tzar Kai, Richard	–	–	307,694,369 *(Note 1(a))*	1,928,842,224 *(Note 1(b))*	2,236,536,593	29.02%
Srinivas Bangalore Gangaiah	103,799	–	–	362,273 *(Note 2)*	466,072	0.01%
Hui Hon Hing, Susanna	3,464,886	–	–	1,404,388 *(Note 2)*	4,869,274	0.06%
Lee Chi Hong, Robert	992,600 *(Note 3(a))*	511 *(Note 3(b))*	–	–	993,111	0.01%
Tse Sze Wing, Edmund	–	367,479 *(Note 4)*	–	–	367,479	0.005%
Dr The Hon Sir David Li Kwok Po	1,132,611	–	–	–	1,132,611	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 269,471,956 shares and Eisner Investments Limited ("Eisner") held 38,222,413 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 175,312,270 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 175,312,270 shares of the Company held by PCGH; and

   (ii) a deemed interest in 1,753,529,954 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 88.58% 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 1,753,529,954 shares of the Company held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 1.06% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard.

2. These interests represented awards 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 HKT Trust and HKT Limited, an Associated Corporation of the Company

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

Name of Director/Chief Executive	Number of Share Stapled Units held: Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of Share Stapled Units in issue
Li Tzar Kai, Richard	–	–	66,247,614 *(Note 1(a))*	144,786,423 *(Note 1(b))*	211,034,037	2.79%
Srinivas Bangalore Gangaiah	–	–	–	116,350 *(Note 2)*	116,350	0.002%
Hui Hon Hing, Susanna	1,870,653	–	–	938,396 *(Note 3)*	2,809,049	0.04%
Lee Chi Hong, Robert	50,924 *(Note 4(a))*	25 *(Note 4(b))*	–	–	50,949	0.0007%
Tse Sze Wing, Edmund	–	246,028 *(Note 5)*	–	–	246,028	0.003%
Dr The Hon Sir David Li Kwok Po	200,000	–	–	–	200,000	0.003%

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 HKT Trust and HKT Limited, an Associated Corporation of the Company *(continued)*

Each Share Stapled Unit confers an interest in:

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

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

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

Notes:

1. (a) Of these Share Stapled Units, PCD held 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; and

      (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.

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

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

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

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

Save as disclosed in the foregoing, as at June 30, 2016, 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 operates a share option scheme which was adopted by the shareholders of the Company at the annual general meeting of the Company held on May 8, 2014 (the "2014 Scheme"). Under the 2014 Scheme, the board of directors of the Company (the "Board") shall be entitled to offer to grant a share option to any eligible participant whom the Board may, at its absolute discretion, select.

No share options have been granted under the 2014 Scheme since its adoption and up to and including June 30, 2016.

B. Share Award Schemes

The Company adopted two employee share incentive award schemes, namely the Purchase Scheme and the Subscription Scheme with the purposes and objectives to recognize the contributions by eligible participants and to give incentives thereto in order to retain them for the continual operation and development of the Company and its subsidiaries (the "Group") and to attract suitable personnel for further development of the Group.

Subject to the relevant scheme rules, each scheme provides that following the making of an award to an employee, the relevant shares/Share Stapled Units are held in trust for that employee and then shall vest over a period of time determined by the relevant committee of the Board provided that the employee remains an employee 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 conditions.

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.

In respect of the Purchase Scheme, during the six months ended June 30, 2016, an aggregate of 4,465,615 shares of the Company and 1,123,994 Share Stapled Units were awarded pursuant to the Purchase Scheme subject to certain vesting conditions, including awards in respect of 258,475 shares of the Company and 116,350 Share Stapled Units made to BG Srinivas, and 913,720 shares of the Company and 154,022 Share Stapled Units made to Hui Hon Hing, Susanna (both of them are directors of the Company). Additionally, no shares of the Company have lapsed and/or been forfeited and 3,116,879 shares of the Company have vested; and 6,517 Share Stapled Units have lapsed and/or been forfeited and 99,453 Share Stapled Units have vested during the period. As at June 30, 2016, 8,342,036 shares of the Company and 1,208,317 Share Stapled Units awarded pursuant to the Purchase Scheme remained unvested.

In respect of the Subscription Scheme, during the six months ended June 30, 2016, an aggregate of 3,795,613 shares of the Company were awarded pursuant to the Subscription Scheme subject to certain vesting conditions. Additionally, 289,267 shares of the Company have lapsed and/or been forfeited and 4,044,893 shares of the Company have vested during the period. As at June 30, 2016, 5,522,153 shares of the Company awarded pursuant to the Subscription Scheme remained unvested. During the six months ended June 30, 2016, no Share Stapled Units have been awarded to any employees of the Company and/or its subsidiaries under the Subscription Scheme. As at January 1, 2016 and June 30, 2016, no Share Stapled Units awarded 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 is set out in note 12 to the unaudited condensed consolidated interim financial information on pages 37 and 38.

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") shall be entitled to offer to grant a Share Stapled Unit option to any eligible participant whom the Trustee-Manager Board and the HKT Board may, at their absolute discretion, select.

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, 2016.

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 purposes of the HKT Share Stapled Units Award Schemes are to incentivize and reward eligible participants for their contribution to the growth of HKT and its subsidiaries (collectively the "HKT Limited Group") and to provide the HKT Limited Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants.

Subject to the relevant scheme rules, each scheme provides that following the making of an award to an employee of 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 determined by the HKT Board 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 conditions.

During the six months ended June 30, 2016, an aggregate of 2,160,944 Share Stapled Units were awarded subject to certain vesting conditions pursuant to the HKT Share Stapled Units Purchase Scheme, including an award in respect of 257,280 Share Stapled Units made to Hui Hon Hing, Susanna (a director of the Company). Additionally, 83,791 Share Stapled Units have lapsed and/or been forfeited and 4,399,558 Share Stapled Units have vested during the period. As at June 30, 2016, 5,834,607 Share Stapled Units awarded pursuant to the HKT Share Stapled Units Purchase Scheme remained unvested. No Share Stapled Units have been awarded under the HKT Share Stapled Units Subscription Scheme since the date of its adoption and up to and including June 30, 2016.

Please also refer to the summary of movements in the Share Stapled Units held under the above scheme(s) which is set out in note 12 to the unaudited condensed consolidated interim financial information on pages 37 and 38.

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

Share Option Scheme

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

No share options have been granted under the 2015 PCPD Scheme since its adoption and up to and including June 30, 2016.

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, 2016, 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		1,753,529,954	22.76%
PCGH	*1*	1,928,842,224	25.03%
Star Ocean Ultimate Limited	*2 and 3*	1,928,842,224	25.03%
The Ocean Trust	*2*	1,928,842,224	25.03%
The Starlite Trust	*2*	1,928,842,224	25.03%
OS Holdings Limited	*2*	1,928,842,224	25.03%
Ocean Star Management Limited	*2*	1,928,842,224	25.03%
The Ocean Unit Trust	*2*	1,928,842,224	25.03%
The Starlite Unit Trust	*2*	1,928,842,224	25.03%
Star Ocean Ultimate Holdings Limited	*3*	1,928,842,224	25.03%
Fung Jenny Wai Ling	*4*	1,928,842,224	25.03%
Huang Lester Garson	*4*	1,928,842,224	25.03%
中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited#) ("Unicom")	*5*	1,424,935,885	18.49%

Notes:

1. These interests represented (i) PCGH's beneficial interests in 175,312,270 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 88.58% of the issued share capital of PCRD) in 1,753,529,954 shares held by PCRD.

2. On April 18, 2004, Li Tzar Kai, Richard transferred the entire issued share capital of PCGH to Ocean Star Management Limited as trustee of The Ocean Unit Trust and The Starlite Unit Trust. The entire issued share capital of Ocean Star Management Limited was held by OS Holdings Limited. The Ocean Trust and The Starlite Trust held all units of The Ocean Unit Trust and The Starlite Unit Trust respectively. Star Ocean Ultimate Limited was the discretionary trustee of The Ocean Trust and The Starlite Trust.

3. On November 4, 2013, Star Ocean Ultimate Limited became a controlled corporation of Star Ocean Ultimate Holdings Limited.

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

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

For identification only

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

As at June 30, 2016, 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*	1,928,842,224	25.03%

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, 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated interim financial information of the Group for the six months ended June 30, 2016. 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 enquiry of all directors of the Company, confirmations have been received of compliance with the required standard set out in the Model Code and the PCCW Code during the accounting period covered by this interim report.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business and to ensure that its affairs are conducted in accordance with applicable laws and regulations.

The Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended June 30, 2016.

During the period covered by this report, in support of their responsibility for the risk management and internal control systems, the directors have sought and received from the Company's management a report on the risk management and internal control systems, including an assurance that, based on the Company's ongoing assessment and validation activities, they are not aware of any material risks or internal control deficiencies which are not being adequately and appropriately mitigated and/or managed.

INVESTOR RELATIONS

DIRECTORS
The directors of the Company as at the date of the announcement of the 2016 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
Bernadette M. Lomas
(subsequent to the date of announcement of 2016 Interim Results, Bernadette M. Lomas was appointed as the Group General Counsel and Company Secretary of the Company with effect from August 15, 2016)

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

INTERIM REPORT 2016
This Interim Report 2016 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 2016 using electronic means through the website of the Company may request a printed copy, or
B) received the Interim Report 2016 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 2016) using electronic means through the Company's website and who, for any reason, have difficulty in receiving or gaining access to the Interim Report 2016 will promptly, upon request in writing or by email to the Company's Share Registrar, be sent the Interim Report 2016 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
Citibank, N.A.
PCCW American Depositary Receipts
Citibank Shareholder Services
P.O. Box 43077
Providence, Rhode Island 02940-3077, USA
Telephone: +1 877 248 4237 (toll free within USA)
Telephone: +1 781 575 4555
Email: citibank@shareholders-online.com
Website: www.citi.com/dr

SHARE INFORMATION
Board lot:	1,000 shares
Issued shares as at June 30, 2016:	7,705,619,457 shares

DIVIDEND
Interim dividend per ordinary share for the six months ended June 30, 2016	8.16 HK cents

FINANCIAL CALENDAR
Announcement of 2016 Interim Results	August 11, 2016
Closure of register of members	August 31 – September 1, 2016 (both days inclusive)
Record date for 2016 interim dividend	September 1, 2016
Payment of 2016 interim dividend	On or around October 12, 2016
Announcement of 2016 Annual Results	February 2017

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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