2017 INTERIM REPORT

TRANSFORMING LIVES IN THE **DIGITAL WORLD**

Stock Code: 0008

CONTENTS

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 OTT (over-the-top) video service under the Viu brand in Hong Kong and other places in the region.

Through HK Television Entertainment Company Limited, PCCW also operates a domestic free television service in Hong Kong.

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 other overseas investments.

Employing over 23,800 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, 2017
In HK$ million (except for per share data)

	2016 (Unaudited)	**2017 (Unaudited)**
Revenue		
Core revenue*	18,409	**17,576**
PCPD	115	**107**
	18,524	**17,683**
Cost of sales	(8,494)	**(7,961)**
General and administrative expenses	(7,627)	**(7,498)**
Other (losses)/gains, net	(53)	**1,190**
Interest income	27	**58**
Finance costs	(627)	**(790)**
Share of results of associates	25	**(21)**
Share of results of joint ventures	(6)	**(14)**
Profit before income tax	1,769	**2,647**
Income tax	(65)	**(263)**
Profit for the period	1,704	**2,384**
Attributable to:		
Equity holders of the Company	868	**1,293**
Non-controlling interests	836	**1,091**
Earnings per share (in HK cents)		
Basic	11.40	**16.79**
Diluted	11.39	**16.77**
Dividend per share (in HK cents)		
Interim dividend	8.16	**8.57**
EBITDA[1]		
Core EBITDA*	5,730	**5,749**
PCPD	(121)	**(116)**
	5,609	**5,633**

*Note: Please refer to page 13. Note 1: Please refer to page 16.

STATEMENT FROM THE CHAIRMAN

I am pleased to report a stable performance of the core businesses of PCCW in the six months to June 30, 2017.

During the period in review, PCCW Media's market-leading pay-TV business, Now TV, continued to offer customers a lineup of premium sports, blockbuster movies, lifestyle and other programs which can be viewed on a large TV screen or on smart devices.

Viu OTT (over-the-top) digital video service has further expanded its footprint in Asia to capture the growth of online video consumption. The free television service ViuTV launched the English channel in March as scheduled.

The enterprise IT solutions business under PCCW Solutions posted continued growth for the six months, with a positive prospect for the full year given the projects in the pipeline. Its footprint is expanding with strengthened delivery capability outside of Hong Kong in the Philippines for servicing Southeast Asia and in mainland China.

On telecommunications, HKT achieved satisfactory financial results underpinned by the fundamental strengths of its key businesses. In February, PCCW placed out a number of share stapled units of the HKT Trust and HKT Limited, retaining a majority holding of approximately 51.97% of HKT.

We are pleased that construction of Pacific Century Premium Developments' premium office building in Indonesia, Pacific Century Place Jakarta, is nearing completion and it is expected to be in operation later this year. We have leased approximately 40% of the office space and are in discussion with other potential tenants. We have also commenced construction for the hotel and residences project in Hokkaido, Japan.

In May, we completed the disposal of UK Broadband, unlocking the value of this non-core business in the UK. Certain gains were realized as a result of the sale.

The above corporate transactions have strengthened the Group's financial position for the ongoing development of our businesses and for new strategic investments to propel growth. While global economic recovery appears to be on a surer footing this year, we will remain prudent and vigilant as we identify opportunities for growth.

Richard Li
Chairman
August 10, 2017

STATEMENT FROM THE GROUP MANAGING DIRECTOR

In this era of digital transformation and disruption, enterprises must change their business model, adopt digital for new revenue streams and improve efficiencies of operations. As a leading media and technology firm, PCCW has been transforming in the digital age and brings relevant services and products to individual and enterprise customers. Our media businesses Now TV and Viu OTT (over-the-top) provide the best digital entertainment experience on the big screen or on-the-go. Our IT solutions business uses digital and mobile technologies, and big data analytics to help enterprises go digital. HKT provides a strong network infrastructure to support our business units embracing digital and a range of innovative telecommunications services for customers.

I am pleased to report that the Group's core businesses achieved a stable performance in the first half of this year.

THE ULTIMATE PAY-TV VIEWING EXPERIENCE

The Now TV business of the Group is the leader in Hong Kong's pay-TV market. To maintain our leadership, Now TV has adopted a strategy to continually strengthen its content propositions and enrich user experience with value-added services and service enhancements.

Now TV is renowned for being a provider of premium international sports – and it is also bringing more local sports to Hong Kong viewers. In April, being the official host broadcaster of the 2017 Hong Kong Sevens, Now TV broadcast for the first time the live rugby matches in virtual reality (VR). This unprecedented broadcast was supported by the fiber network of the Group's telecommunications subsidiary, HKT, and the expertise in live mega event management and new media delivery technology of PCCW Global, HKT's international operating division.

For movie and drama fans, Now TV offers a comprehensive suite of movies from around the world and a Video Express First service featuring the latest top-rated movies from leading studios. Customers may use functions such as recording and timeshift for more flexible and enjoyable viewing, and may also access content via the Now Player app on multiple devices, supported by an enhanced user-interface.

FAST-EXPANDING OTT BRAND

The Group provides a pan-regional OTT video service, Viu. Since its launch in Hong Kong in October 2015, Viu has grown rapidly in and outside the Asia region, the latest foray being the launch in Thailand in May this year. The Group's OTT service is now available in 24 markets in Southeast Asia, India, the Middle East and parts of Africa. Viu has more than 12 million monthly active users, an increase of 163% from the end of 2016. Asian viewers watch an average of 1.3 to 1.8 hours of videos on Viu daily.

Viu operates on a dual model of an ad-supported tier and a premium subscription tier of service. During the first half, Viu introduced Viu Original as a creative initiative to further enhance user engagement, offering viewers high quality content comprising Korean, Chinese, Indian and Indonesian original productions. High customer stickiness drives subscriptions, helps propel the business of Viu's telco partners, and benefits advertisers who leverage Viu's platform to reach the Millennials who are more receptive to digital advertisements.

In August, three investors – namely Hony Capital, Foxconn Ventures, and Temasek – made investment in the Group's OTT international media and entertainment businesses, which include Viu and MOOV, a leading digital music platform.

MORE APPEALING FREE TV CONTENT

Through group company HK Television Entertainment Company Limited, PCCW operates a domestic free television service in Hong Kong, ViuTV, which debuted its Cantonese channel 99 last year. ViuTV's focus on factual entertainment has been well received by viewers. During the first half, we strengthened the program lineup with more local and imported dramas throughout the week.

In accordance with the free TV license requirement, an English language channel, ViuTVsix channel 96, was launched in March 2017, providing both local and global news and entertainment content. Among its lineup was the HBO Originals, HBO's first branded-program block for free TV in Asia comprising top-rated dramas and comedies. ViuTV co-produces a daily newscast with Reuters and will simulcast selected news content from international agencies.

TRUSTED DIGITAL SOLUTIONS PROVIDER

The IT solutions flagship of the Group, PCCW Solutions, is the market leader of the core IT services segment in Hong Kong. We can integrate a full suite of software, hardware, devices, data centers, connectivity and IT services, delivering end-to-end digital solutions for enterprises' digital transformation journey.

During the first half, PCCW Solutions continued to secure contracts from a cross section of private and public sector customers in Hong Kong, mainland China and other places. These included a major contract with the Hong Kong Immigration Department for the provision of hardware, software and related services for the implementation of the Next Generation Smart Identity Card System, or SMARTICS-2, and another for upgrading the Transport Department's Transport Information System.

We also won substantial contracts in data center hosting for world-renowned cloud providers, and are pleased that PCCW Solutions was ranked the No. 1 provider of Data Center Hosting Services, System Integration and Application Development in Hong Kong (from 2014 to 2016) by the latest IDC Asia/Pacific Semiannual Services Tracker, in recognition of our ability to provide comprehensive IT offerings and industry-specific solutions.

LEADING THE TELECOMMUNICATIONS MARKET

The Group's telecommunications services subsidiary, HKT, achieved satisfactory operational results across various lines of business in the first half despite fierce competition.

With our years of investment and network development, HKT can constantly make available new services at affordable prices without incurring significant incremental investment. In this regard, at the start of the second half we introduced the NETVIGATOR 4x1000M Multi-Use Broadband Service. This service delivers 4Gbps downstream and 2Gbps upstream fiber-to-the-home (FTTH) broadband connectivity – customers can connect up to four different circuits and obtain a dedicated Internet downstream bandwidth of up to 1Gbps for each circuit. A family may assign dedicated circuits for different applications or for different family members to pursue their individual interests such as online gaming and OTT viewing.

The mobile communications sector in Hong Kong also experiences intense competition. Notwithstanding that, our mobile service under CSL Mobile continued to hold up well in the first half, underpinned by HKT's excellent mobile network and second-to-none service and product quality. In May, we rolled out Hong Kong's first LTE-A 600Mbps network, the fastest mobile network specification in Hong Kong.

In February, PCCW placed to independent parties 840,747,000 share stapled units (SSUs) of the HKT Trust and HKT Limited, or 11.10% of SSUs in issue, retaining a majority interest of 51.97%. The proceeds provide investment opportunities to support PCCW's businesses of IT solutions and media. Part of the proceeds will also be used to repay debt thereby strengthening the Group's financial position. The placing is expected to expand the free float and improve the liquidity of trading in HKT SSUs. PCCW will continue to consolidate the financial statements of HKT in PCCW's financial statements.

OFFICE BUILDING CONSTRUCTION NEARING COMPLETION

Construction of Pacific Century Premium Developments' (PCPD) premium office building in Indonesia, Pacific Century Place Jakarta, is at its final stage. We expect to obtain the formal approval for permission of occupation in the third quarter of this year. Approximately 40% of office space of the building has been taken up by renowned tenants, and we are in discussion with other potential tenants who have shown interest in taking up floor space.

As to the project in Hokkaido, Japan, we commenced in April construction work for the Park Hyatt Niseko Hanazono and the Park Hyatt Niseko Hanazono Residences, which are expected to be completed in late 2019. PCPD held a pre-launch reception in Hong Kong in March to introduce this project and received very positive response from potential buyers of the residential units.

PCPD is also actively looking for potential investment opportunities in residential projects around the world.

UNLOCKING VALUE OF UK ASSETS

In February, PCCW announced an agreement with an independent third party to sell our wholly-owned company, Transvision Investments Limited, whose material asset was its holding of the entire interest of UK Broadband Limited. UK Broadband conducted a broadband business in the UK under the Relish brand which was delivered to its customers via UK Broadband's fixed wireless networks. UK Broadband's principal assets were its holding of certain licenses for radio frequency spectrum, its wireless networks and related systems, and its customers.

The sale represented a good opportunity for PCCW to realize and unlock the value of the UK business. Following the sale, we would be able to focus our resources and efforts on our main businesses such as IT solutions and media. The transaction was completed in May this year.

LOOKING AHEAD

Our strategy is to continue to develop and maintain our leadership in the relevant markets of each of our core businesses of media, IT solutions, and telecommunications, while seeking new growth opportunities.

The competitive environment in the media segment in Hong Kong has been very dynamic in the past year. Throughout the period, we have fulfilled our commitments to our customers and proven to be the strongest player. Going forward, we will continue to provide customers with the best viewing experience on both our pay-TV and OTT platforms.

With an excellent track record in large-scale IT projects and a global data center network alliance, PCCW Solutions will continue to benefit from the needs of enterprises and the public sector to go digital.

HKT has held up well in the face of intense competition in both the broadband and mobile communications markets in Hong Kong. It is in an advantageous position to provide new, innovative products and services to our customers.

PCCW has the people, capabilities, financial resources and determination to seize the opportunities arising from the digital trend, and we will do so prudently having regard to the constantly changing market and economic environments in Hong Kong and abroad.

BG Srinivas
Group Managing Director
August 10, 2017

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Chairman

Mr Li, aged 50, 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 was an Independent Non-Executive Director of The Bank of East Asia, Limited. He is 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 56, was appointed an Executive Director and Group Managing Director of PCCW effective from July 2014. He is a member of PCCW's Executive Committee and holds directorships in certain PCCW group companies. He is also a Non-Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust. He is also an Alternate Director to Sir David Ford, a Non-Executive Director of PCCW, in certain FWD group companies controlled by Mr Li Tzar Kai, Richard, the Chairman of PCCW.

As part of the PCCW group's responsibility, Mr Srinivas is focused to ensure the PCCW group maintains its leadership position in all its portfolio of business in Hong Kong while crafting strategies to expand each line of business. He has over 30 years of experience and has assisted enterprises in leveraging technology to transform businesses. Prior to joining PCCW, Mr Srinivas had worked for the previous 15 years with Infosys Group, where his last role was the President and Whole-time Director of Infosys Limited. He was also the Chairman of the board of Infosys Lodestone, Swiss based European Business consulting organization. He played distinct role in crafting strategies and driving growth across several industry sectors for Infosys. Prior to that, Mr Srinivas worked for 14 years with Asea Brown Boveri Group, where he held several leadership positions in process automation and power transmission divisions.

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 World Economic Forum, and academic institutions such as INSEAD, Saïd Business School, University of Oxford and Yale University.

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.

HUI Hon Hing, Susanna

Group Chief Financial Officer

Ms Hui, aged 52, 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 66, 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 an 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 82, 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 79, 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 Independent Non-Executive Chairman and an Independent 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 53, 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 General Manager and Vice Chairman 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.

LI Fushen
Non-Executive Director

Mr Li, aged 54, 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, Deputy General Manager 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.

SHAO Guanglu
Non-Executive Director

Mr Shao, aged 53, became a Non-Executive Director of PCCW in March 2017 and is a member of the Remuneration Committee of the Board.

Mr Shao is a Vice President of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited#) and an Executive Director and Senior Vice President of China Unicom (Hong Kong) Limited. 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 Shao joined China United Telecommunications Corporation in February 1995. In December 2008, China United Telecommunications Corporation changed its company name to 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited#). Mr Shao was Deputy General Manager of Tianjin Branch, Deputy General Manager of Henan Branch, General Manager of Guangxi Branch, as well as General Manager of Human Resources Department of 中國聯合網絡通信集團有限公司 (China United Network Communications Group Company Limited#). In addition, Mr Shao serves as a Non-Executive Director of China Communications Services Corporation Limited.

Mr Shao received a bachelor's degree from Harbin Institute of Technology in 1985, a master's degree in engineering and a master's degree in economics from Harbin Institute of Technology in 1988 and 1990, respectively, a master's degree in management from BI Norwegian Business School in 2002 and a doctor's degree in management from Nankai University in 2009. Mr Shao has worked in the telecommunications industry for a long period of time and has extensive management experience.

For identification only

WEI Zhe, David
Non-Executive Director
Mr Wei, aged 46, 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 an executive director of Zall Group Ltd., and a non-executive director of Zhong Ao Home Group Limited and JNBY Design Limited, 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. He was an independent director of 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 78, 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 an Independent Non-executive Director of SCMP Group Limited (now known as Great Wall Pan Asia Holdings 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 70, 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, Wockhardt Limited, Tata Steel Limited and Vedanta Limited in Mumbai, India; and Max Financial Services Limited (formerly Max India Limited) in New Delhi, India. He was an Independent Non-Executive Director of Emaar MGF Land Limited, Jet Airways (India) Limited and Cairn India 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 56, 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. 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, 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.

* Subsequent to the date of this report, Mr Mehta retired from the board of directors of Vedanta Resources plc with effect from the conclusion of its annual general meeting held on August 14, 2017.

Bryce Wayne LEE
Independent Non-Executive Director
Mr Lee, aged 52, 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 56, 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 the founder and Chief Executive Officer 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 Master of Science Degree in Business and Economics from Stockholm University.

David Christopher CHANCE
Independent Non-Executive Director
Mr Chance, aged 60, was appointed an Independent Non-Executive Director of PCCW and the Independent Non-Executive Chairman and Director of PCCW Media Limited, an indirect wholly-owned subsidiary of PCCW in November 2013.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Results for core revenue were as follows:
  - Core revenue (excluding Mobile handset sales) was stable at HK$16,549 million
  - Core revenue decreased by 5% to HK$17,576 million
- Results for consolidated revenue were as follows:
  - Consolidated revenue (excluding Mobile handset sales) was stable at HK$16,656 million
  - Consolidated revenue (including PCPD) decreased by 5% to HK$17,683 million
- Results for EBITDA were as follows:
  - Core EBITDA increased to HK$5,749 million
  - Consolidated EBITDA (including PCPD) increased to HK$5,633 million
- Results for profit attributable to equity holders of the Company were as follows:
  - Core profit attributable to equity holders of the Company increased by 38% to HK$1,430 million
  - Consolidated profit attributable to equity holders of the Company increased by 49% to HK$1,293 million
- Basic earnings per share amounted to 16.79 HK cents
- Interim dividend of 8.57 HK cents per ordinary share

MANAGEMENT REVIEW

We are pleased to report that PCCW delivered a stable set of financial results for the six months ended June 30, 2017 underpinned by the strength and resilience of HKT Limited ("HKT") and solid execution in the Media and Solutions businesses.

During the period, core revenue decreased by 5% to HK$17,576 million due to a slowdown in Mobile handset sales at HKT. Excluding Mobile handset sales, core revenue was steady at HK$16,549 million. The Solutions and over-the-top ("OTT") businesses showed continued growth momentum with their revenues increasing by 6% and 24%, respectively, for the six months ended June 30, 2017, compared to a year ago.

Both HKT and the Solutions business reported growth in EBITDA during the period though this was moderated by continued investments in the OTT and Free TV segments of the Media business. Core EBITDA increased only slightly to HK$5,749 million.

PCPD is still to attain scale, while it is developing a number of projects and has yet to contribute materially to the consolidated results. Consolidated revenue for the six months ended June 30, 2017 decreased by 5% to HK$17,683 million and consolidated EBITDA increased slightly to HK$5,633 million.

During the period, we disposed of our non-core wireless broadband business in the United Kingdom and recognized a gain on disposal. After accounting for the reduction in PCCW's attributable interest in HKT following the placement of an approximate 11% interest, consolidated profit attributable to equity holders of the Company increased by 49% to HK$1,293 million. Basic earnings per share was 16.79 HK cents.

The board of Directors (the "Board") has resolved to declare an interim dividend of 8.57 HK cents per ordinary share for the six months ended June 30, 2017.

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, respectively.

OUTLOOK

Our strategy is to continue to develop and maintain our leadership in the relevant markets of each of our core businesses of IT solutions, media, and telecommunications, while seeking new growth opportunities.

With an excellent track record in large-scale IT projects and a global data center network alliance, PCCW Solutions will continue to benefit from the needs of enterprises and the public sector to go digital. The significant recurring nature of its business and the expanding demand for digital transformation capabilities should lead to a growing contribution from PCCW Solutions.

Now TV has consolidated its market leadership in the pay TV industry in Hong Kong while ViuTV has broadened our reach into the TV advertising market. Although the environment in the media industry in Hong Kong has been very dynamic in the past year, we expect the competitive behavior to rationalize and lead to improved profitability. The OTT business has extended our geographic scope beyond Hong Kong and we now have a presence in 24 markets. Our goal is to build the leading digital media service in Asia with the best viewing experience and most relevant content.

During the period, HKT made further progress in developing its growth initiatives while strengthening its leadership positions in the broadband and mobile communications markets in Hong Kong.

While global economic recovery appears to be on a surer footing this year, we will remain prudent and vigilant as we identify opportunities for growth.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK$ million	Jun 30, 2016	Dec 31, 2016	**Jun 30, 2017**	Better/ (Worse) y-o-y
Revenue				
HKT	16,388	17,459	**15,649**	(5)%
HKT (excluding Mobile handset sales)	14,611	15,811	**14,622**	–
Mobile handset sales	1,777	1,648	**1,027**	(42)%
Now TV Business	1,391	1,509	**1,350**	(3)%
Free TV Business	52	108	**94**	81%
OTT Business	271	312	**337**	24%
Solutions Business	1,587	2,235	**1,685**	6%
Other Businesses	30	30	**30**	–
Eliminations	(1,310)	(1,852)	**(1,569)**	(20)%
Core revenue	18,409	19,801	**17,576**	(5)%
PCPD	115	59	**107**	(7)%
Consolidated revenue	18,524	19,860	**17,683**	(5)%
Cost of sales	(8,494)	(9,249)	**(7,961)**	6%
Operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net	(4,421)	(3,994)	**(4,089)**	8%
EBITDA[1]				
HKT	5,865	6,819	**5,968**	2%
Now TV Business	184	229	**154**	(16)%
Free TV Business	(68)	(115)	**(116)**	(71)%
OTT Business	(109)	(126)	**(125)**	(15)%
Solutions Business	254	507	**263**	4%
Other Businesses	(304)	(408)	**(304)**	–
Eliminations	(92)	(130)	**(91)**	1%
Core EBITDA[1]	5,730	6,776	**5,749**	–
PCPD	(121)	(159)	**(116)**	4%
Consolidated EBITDA[1]	5,609	6,617	**5,633**	–
Core EBITDA[1] margin	*31%*	*34%*	***33%***	
Consolidated EBITDA[1] margin	*30%*	*33%*	***32%***	
Depreciation	(860)	(914)	**(851)**	1%
Amortization	(2,348)	(2,580)	**(2,550)**	(9)%
Gain/(Loss) on disposal of property, plant and equipment, net	2	1	**(8)**	n/a
Other (losses)/gains, net	(53)	85	**1,190**	n/a
Interest income	27	25	**58**	115%
Finance costs	(627)	(802)	**(790)**	(26)%
Share of results of associates and joint ventures	19	26	**(35)**	n/a
Profit before income tax	1,769	2,458	**2,647**	50%

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

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

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, 2016	Dec 31, 2016	**Jun 30, 2017**	Better/ (Worse) y-o-y
HKT Revenue	16,388	17,459	**15,649**	(5)%
HKT Revenue (excluding Mobile handset sales)	14,611	15,811	**14,622**	–
Mobile handset sales	1,777	1,648	**1,027**	(42)%
HKT EBITDA[1]	5,865	6,819	**5,968**	2%
HKT EBITDA[1] margin	*36%*	*39%*	***38%***	
HKT Adjusted Funds Flow	2,051	2,632	**2,129**	4%

HKT delivered a satisfactory set of financial results for the six months ended June 30, 2017, underpinned by the strength and resilience of all lines of business as well as continued operating efficiency improvements.

Total revenue for the six months ended June 30, 2017 decreased by 5% to HK$15,649 million, impacted by lower revenue from Mobile handset sales in the absence of marquee handsets during the period. Excluding Mobile handset sales, total revenue was stable at HK$14,622 million, as compared to HK$14,611 million for the corresponding period last year.

Total EBITDA for the period was HK$5,968 million, an increase of 2% over the same period in 2016, driven by further enhancements of operating efficiency in both the Mobile and Telecommunications Services businesses.

Adjusted funds flow for the six months ended June 30, 2017 reached HK$2,129 million, an increase of 4% over the same period in 2016.

HKT announced an interim distribution of 28.12 HK cents per share stapled unit.

For a more detailed review of the performance of HKT, please refer to its 2017 interim results announcement released on August 9, 2017.

Now TV Business

For the six months ended HK$ million	Jun 30, 2016	Dec 31, 2016	**Jun 30, 2017**	Better/ (Worse) y-o-y
Now TV Business Revenue	1,391	1,509	**1,350**	(3)%
Now TV Business EBITDA[1]	184	229	**154**	(16)%
Now TV Business EBITDA[1] margin	*13%*	*15%*	***11%***	

Revenue for the Now TV business for the six months ended June 30, 2017 declined by 3% to HK$1,350 million from HK$1,391 million a year ago reflecting the full period impact of the retention offers that were made in the first half of 2016. The retention efforts resulted in a stabilized subscriber base of 1,302,000 although at a more moderate exit average revenue per user ("ARPU") of HK$186 at the end of June 2017. Advertising and other revenues of HK$116 million was recorded during the period, reflecting the benign economic environment as well as the continuing shift of advertiser spending to digital platforms.

EBITDA for the six months ended June 30, 2017 declined to HK$154 million from HK$184 million a year ago. This was largely due to higher content costs as well as increased spending on publicity and promotions to retain customers in the face of heightened competition. However, we expect the competition to exhibit more rational behavior which should lead to an improvement in margins.

Now TV will continue to offer customers a wide range of premium content, including an increase in on-demand content, that can be viewed on the TV screen and on smart devices in view of the changing consumer behavior.

Free TV Business

For the six months ended HK$ million	Jun 30, 2016	Dec 31, 2016	**Jun 30, 2017**	Better/ (Worse) y-o-y
Free TV Business Revenue	52	108	**94**	81%
Free TV Business EBITDA[1]	(68)	(115)	**(116)**	(71)%

Advertising revenue at the Free TV business grew by 81% to HK$94 million for the six months ended June 30, 2017 from HK$52 million a year ago primarily due to a full six-month impact following the commencement of the Chinese language channel in April 2016.

During the first half of 2017, the Free TV business strengthened its program lineup with the launch of ViuTV6, our English language channel, and more self-produced local as well as imported dramas on ViuTV to improve engagement with viewers and broaden its viewing base. Despite these continued investments in content, branding and personnel, we controlled the EBITDA loss to HK$116 million which was flat compared to an EBITDA loss of HK$115 million in the second half of 2016.

As ViuTV gradually builds its production library, it will pursue opportunities for overseas distribution. During the period, ViuTV's self-produced programs were broadcast in several markets including mainland China and Indonesia.

OTT Business

For the six months ended HK$ million	Jun 30, 2016	Dec 31, 2016	**Jun 30, 2017**	Better/ (Worse) y-o-y
OTT Business Revenue	271	312	**337**	24%
OTT Business EBITDA[1]	(109)	(126)	**(125)**	(15)%

Revenue for the OTT business, comprising both our OTT video and music services, grew significantly by 24% to HK$337 million for the six months ended June 30, 2017, from HK$271 million a year ago. This growth was underpinned by notable revenue gains in Malaysia and Indonesia and the expansion of our market presence to 8 additional countries during the past 12 months. Our OTT services are now available in 24 markets across Southeast Asia, India, the Middle East and parts of Africa.

The OTT business generates revenue from both subscription services as well as advertising which, during the period, represented 78% and 22% respectively of total revenue for the six months ended June 30, 2017.

Our OTT video services offer a short form, browser based format, operating under the Vuclip brand as well as the Viu service, which focuses on longer form, premium content. The Viu service had attracted more than 12 million monthly active users as of June 30, 2017. These users consumed, on average, almost 15 videos per week and 1–2 hours of content per day. Since the launch of the service at the end of 2015, Viu has recorded 886 million cumulative video views. These healthy levels of engagement have attracted strong advertising support for Viu and offer potential opportunities for conversion to the subscription service.

Our OTT music service, which operates through the MOOV brand, is the leading music streaming service in Hong Kong, harnessing the significant customer base of HKT. MOOV launched its services in Vietnam in the second half of 2016 and has plans to expand further in the region to ride on the increasing usage of music streaming services, its high quality experience and diverse music library.

Further investments to support the growth of the OTT business were made in content, branding and new market launches. However, these investments were well contained leading to an EBITDA loss of HK$125 million for the six months ended June 30, 2017, which was steady compared to the EBITDA loss of HK$126 million in the second half of 2016.

Solutions Business

For the six months ended HK$ million	Jun 30, 2016	Dec 31, 2016	**Jun 30, 2017**	Better/ (Worse) y-o-y
Solutions Business Revenue	1,587	2,235	**1,685**	6%
Solutions Business EBITDA[1]	254	507	**263**	4%
Solutions Business EBITDA[1] margin	*16%*	*23%*	***16%***	

The Solutions business recorded a 6% increase in revenue to HK$1,685 million for the six months ended June 30, 2017, from HK$1,587 million a year ago. Recurring revenue grew by 2% as a result of an expansion in data center operations and technical service related contracts. Project based revenue increased by 11% driven by large scale IT projects such as the Next Generation Smart Identity Card System for the Immigration Department. Revenue with a recurring nature accounted for 54% of the total revenue for the six months ended June 30, 2017 while project based revenue increased its contribution to 46%.

The Solutions business continued to witness increasing enterprise customer demand for applications such as cloud based solutions and infrastructure which increased its revenue contribution to 28% for the six months ended June 30, 2017 from 27% a year ago.

During the period, the Solutions business won a number of large scale IT projects from the public sector in Hong Kong as well as contracts to service the cloud requirements of a number of Hi-Tech customers. As a result, the revenue contribution from the Public Sector for the six months ended June 30, 2017 increased to 40% from 35% a year ago and from the Hi-Tech & Media sector increased to 13% from 8% a year ago.

EBITDA for the six months ended June 30, 2017 increased by 4% to HK$263 million from HK$254 million a year ago, with the margin remaining stable at 16%. This reflected an improved margin for the recurring revenue but a slight decline in the margin for project based revenue arising from the competitive nature of large scale IT projects in the public sector.

The Solutions business had secured orders with a value of HK$6,590 million as at June 30, 2017. Significant new additions included the Hong Kong Identity Card project for the Immigration Department and the provision of data center services to support a number of global cloud service providers.

PCPD

PCPD recorded total revenue of HK$107 million and negative EBITDA of HK$116 million for the six months ended June 30, 2017, compared with total revenue of HK$115 million and negative EBITDA of HK$121 million a year earlier.

PCPD's Pacific Century Place Jakarta has entered the final stage of its construction and is expected to obtain the occupation permit in the third quarter of 2017. During the period, Garena and Shopee, a Singapore-based Internet and mobile platform business, and a major US multinational technology company, have also committed to occupy office space. To date, approximately 40% of office space has been committed.

In Japan, the ground-breaking ceremony for the 100-room hotel Park Hyatt Niseko Hanazono and the 114 branded residences was held in June 2017, with an expected completion date in late 2019. The Group expects to launch the Park Hyatt Niseko Hanazono Residences in several phases over the next two to three years.

For more information about the performance of PCPD, please refer to its 2017 interim results announcement released on August 8, 2017.

Other Businesses

Other Businesses primarily comprises corporate support functions and the wireless broadband business in the United Kingdom ("UKBB"). Revenue from Other Businesses was HK$30 million for the six months ended June 30, 2017 (June 30, 2016: HK$30 million) generated by UKBB. The EBITDA cost of the Group's Other Businesses was HK$304 million (June 30, 2016: HK$304 million) of which HK$49 million was associated with UKBB.

The Group disposed of its wireless broadband business in the United Kingdom in May 2017 for an aggregate consideration of £300 million (equivalent to approximately HK$3,011 million) of which £250 million (equivalent to approximately HK$2,509 million) was paid in cash.

Eliminations

Eliminations for the six months ended June 30, 2017 were HK$1,569 million (June 30, 2016: HK$1,310 million). This continues to reflect the growing collaboration amongst various business segments of the Group to take advantage of our capabilities in offering integrated products and services to consumers and enterprise customers.

Costs

Cost of Sales

For the six months ended HK$ million	Jun 30, 2016	Dec 31, 2016	**Jun 30, 2017**	Better/ (Worse) y-o-y
HKT	6,973	7,472	**6,508**	7%
The Group (excluding PCPD)	8,457	9,230	**7,936**	6%
Consolidated	8,494	9,249	**7,961**	6%

HKT's cost of sales for the six months ended June 30, 2017 decreased by 7% to HK$6,508 million reflecting lower Mobile handset sales during the period. Gross margin was 58% in the first half of 2017, as compared to 57% a year ago.

Cost of sales for the core businesses decreased by 6%. Gross margin for the core businesses was 55% in the first half of 2017, as compared to 54% a year ago.

The Group's consolidated total cost of sales for the six months ended June 30, 2017 decreased by 6% to HK$7,961 million.

General and Administrative Expenses

For the six months ended June 30, 2017, operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net, ("operating costs") decreased by 8% year-on-year to HK$4,089 million as a result of the recurring cost synergies from the integration of CSL Holdings Limited ("CSL") and continued operating efficiencies at HKT which were offset by additional investments in the Media business to support the growth of the OTT and Free TV businesses. As a result, operating costs to revenue ratio declined slightly to 23%.

Depreciation and amortization expenses increased by 6% year-on-year to HK$3,401 million for the six months ended June 30, 2017. Depreciation expenses declined marginally by 1%. Amortization expenses increased by 9% largely arising from increased investments in content at the OTT and Free TV businesses in the Media segment. Content related amortization for the period was HK$260 million, as compared to HK$150 million a year ago.

As a result, general and administrative expenses decreased by 2% year-on-year to HK$7,498 million for the six months ended June 30, 2017.

EBITDA[1]

Core EBITDA for the six months ended June 30, 2017 expanded slightly to HK$5,749 million with the margin improving to 33% due to the reduced contribution from lower margin Mobile handset sales. Consolidated EBITDA also expanded slightly to HK$5,633 million for the period with the margin improving to 32%.

Other (Losses)/Gains, net

Net other gains of HK$1,190 million were recorded for the six months ended June 30, 2017, as compared to net losses of HK$53 million a year ago, predominantly as a result of the gain recognized from the disposal of the wireless broadband business in the United Kingdom that was completed in May 2017.

Interest Income and Finance Costs

Interest income for the six months ended June 30, 2017 increased to HK$58 million as a result of the increased cash balances of the Group. Finance costs increased by 26% year-on-year to HK$790 million as a result of increased borrowings at HKT to finance the payment for the renewed mobile spectrum in August 2016 and at PCPD to provide funds to support ongoing and future property developments. These increases were offset by the substantial repayment of bank borrowings at the PCCW level. As a result, net finance costs increased by 22% year-on-year to HK$732 million for the six months ended June 30, 2017.

The average cost of debt was 3.0% during the period, as compared to 2.6% a year ago reflecting the increased proportion of fixed rate borrowings.

Income Tax

Income tax expenses for the six months ended June 30, 2017 was HK$263 million, as compared to HK$65 million a year ago, representing an effective tax rate of 9.9% for the period. The increase in tax expense is mainly due to higher taxable profits during the period offset by the recognition of a deferred income tax asset and a credit upon reassessment of certain previously recognized tax items during the six months ended June 30, 2016.

Non-controlling Interests

Non-controlling interests were HK$1,091 million for the six months ended June 30, 2017 (June 30, 2016: HK$836 million), which primarily represented the net profit attributable to the non-controlling shareholders of HKT and PCPD. The increase in non-controlling interests reflected the increase in net profit at HKT and the approximate 11% reduction of PCCW's interest in HKT to approximately 51.97% that was completed in February 2017.

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, 2017 increased by 49% year-on-year to HK$1,293 million (June 30, 2016: HK$868 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.

In February 2017, the Group placed 840,747,000 share stapled units of HKT Trust and HKT at a price of HK$10.15 per share stapled unit, raising approximately HK$8,361 million in net proceeds. In May 2017, the Group received net cash proceeds of approximately HK$2,398 million from the disposal of its wireless broadband business in the United Kingdom. The Group used a portion of these proceeds to repay a substantial portion of the bank borrowings at the PCCW level leaving primarily fixed rate bonds in the capital structure.

In March 2017, PCPD took advantage of a favorable market window and raised US$570 million 5-year guaranteed notes at a coupon of 4.75%. The proceeds, of which US$551 million remain in cash balances as of June 30, 2017, are to support ongoing and future property developments including the current projects in Hokkaido, Japan and Jakarta, Indonesia.

The Group's gross debt[2] was HK$46,921 million as at June 30, 2017 (December 31, 2016: HK$46,428 million). Cash and short-term deposit totaled HK$13,204 million as at June 30, 2017 (December 31, 2016: HK$5,210 million). At PCCW (excluding HKT and PCPD), there was a net cash position of HK$2,684 million as at June 30, 2017.

As at June 30, 2017, the Group had a total of HK$38,259 million in committed bank loan facilities available for liquidity management, of which HK$16,559 million remained undrawn. Of these committed bank loan facilities, HKT accounted for HK$27,081 million, of which HK$5,938 million remained undrawn.

The Group's gross debt[2] to total assets was 53% as at June 30, 2017 (December 31, 2016: 58%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2017, 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, 2017 was HK$1,518 million (June 30, 2016: HK$1,595 million), of which HKT accounted for about 88% (June 30, 2016: 93%). Capital expenditure at HKT declined as the CSL integration was completed in the third quarter of 2016 and shifted towards increased investments to meet the demand for HKT's fiber broadband services and customized network solutions for enterprises. There was a slight increase in capital expenditure by the Media business largely for the upgrading of broadcasting equipment as well as a slight increase in capital expenditure by the Solutions business to expand its data center infrastructure. There was also an increase in capital expenditure at PCPD to support the construction of the development of the all-season resort in Hokkaido, Japan.

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 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, 2017, all forward and swap contracts were designated as cash flow hedges and/or fair value hedges for the related borrowings of the Group.

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

CHARGE ON ASSETS

As at June 30, 2017, certain assets of the Group with an aggregate carrying value of HK$890 million (December 31, 2016: HK$3,373 million) were pledged to secure certain bank loan facilities of the Group. As at December 31, 2016, performance guarantee of HK$161 million received in relation to the construction of the premium office building in Jakarta, Indonesia was pledged for certain bank loan facilities. This pledge was released during the six months ended June 30, 2017.

CONTINGENT LIABILITIES

HK$ million	As at Dec 31, 2016 (Audited)	**As at Jun 30, 2017 (Unaudited)**
Performance guarantees	923	**889**
Others	76	**65**
	999	**954**

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

HUMAN RESOURCES

The Group had over 23,800 employees as at June 30, 2017 (June 30, 2016: 24,500) located in over 44 countries and cities. About 64% 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 8.57 HK cents (June 30, 2016: 8.16 HK cents) per ordinary share for the six months ended June 30, 2017 to shareholders whose names appear on the register of members of the Company on Friday, September 1, 2017, payable on or around Thursday, October 12, 2017.

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2017

In HK$ million (except for earnings per share)	Note(s)	2016 (Unaudited)	**2017 (Unaudited)**
Revenue	2	18,524	**17,683**
Cost of sales		(8,494)	**(7,961)**
General and administrative expenses		(7,627)	**(7,498)**
Other (losses)/gains, net	3	(53)	**1,190**
Interest income		27	**58**
Finance costs		(627)	**(790)**
Share of results of associates		25	**(21)**
Share of results of joint ventures		(6)	**(14)**
Profit before income tax	2, 4	1,769	**2,647**
Income tax	5	(65)	**(263)**
Profit for the period		1,704	**2,384**
Attributable to:			
Equity holders of the Company		868	**1,293**
Non-controlling interests		836	**1,091**
Profit for the period		1,704	**2,384**
Earnings per share	7		
Basic		11.40 cents	**16.79 cents**
Diluted		11.39 cents	**16.77 cents**

The notes on pages 32 to 50 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2017

In HK$ million	2016 (Unaudited)	**2017 (Unaudited)**
Profit for the period	1,704	**2,384**
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
– exchange differences on translating foreign operations	143	**238**
– reclassification of currency translation reserve	–	**172**
Available-for-sale financial assets:		
– changes in fair value	(4)	**(10)**
Cash flow hedges:		
– effective portion of changes in fair value	522	**(624)**
– transfer from equity to consolidated income statement	(41)	**(217)**
Other comprehensive income/(loss) for the period	620	**(441)**
Total comprehensive income for the period	2,324	**1,943**
Attributable to:		
Equity holders of the Company	1,311	**1,144**
Non-controlling interests	1,013	**799**
Total comprehensive income for the period	2,324	**1,943**

The notes on pages 32 to 50 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at June 30, 2017

In HK$ million	Note*	The Group As at December 31, 2016 (Audited)	The Group As at June 30, 2017 (Unaudited)	(Additional information) The Company As at December 31, 2016 (Audited)	(Additional information) The Company As at June 30, 2017 (Unaudited)
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		19,701	**20,402**	–	**–**
Investment properties		3,216	**3,697**	–	**–**
Interests in leasehold land		422	**413**	–	**–**
Properties held for/under development		924	**972**	–	**–**
Goodwill		18,095	**18,108**	–	**–**
Intangible assets		11,982	**11,531**	–	**–**
Interests in subsidiaries		–	**–**	17,072	**17,072**
Interests in associates		725	**735**	–	**–**
Interests in joint ventures		628	**611**	–	**–**
Available-for-sale financial assets		1,057	**1,934**	–	**–**
Derivative financial instruments		289	**40**	12	**–**
Deferred income tax assets		1,134	**1,393**	–	**–**
Other non-current assets		897	**1,028**	–	**–**
		59,070	**60,864**	17,084	**17,072**
Current assets					
Amounts due from subsidiaries		–	**–**	21,281	**11,731**
Sales proceeds held in stakeholders' accounts		510	**509**	–	**–**
Restricted cash		139	**144**	–	**–**
Prepayments, deposits and other current assets		9,019	**9,221**	19	**14**
Inventories		943	**1,077**	–	**–**
Amounts due from related companies		98	**89**	–	**–**
Derivative financial instruments		–	**6**	–	**6**
Other financial assets		–	**78**	–	**–**
Trade receivables, net	8	3,778	**3,147**	–	**–**
Tax recoverable		16	**16**	–	**–**
Short-term deposits		453	**3,106**	–	**–**
Cash and cash equivalents		4,751	**10,098**	587	**5,837**
		19,707	**27,491**	21,887	**17,588**
Assets of disposal group classified as held for sale		807	**–**	–	**–**
		20,514	**27,491**	21,887	**17,588**

In HK$ million	Note*	The Group As at December 31, 2016 (Audited)	The Group As at **June 30, 2017 (Unaudited)**	(Additional information) The Company As at December 31, 2016 (Audited)	(Additional information) The Company As at **June 30, 2017 (Unaudited)**
Current liabilities					
Short-term borrowings		(457)	**(529)**	–	**–**
Trade payables	9	(2,731)	**(1,929)**	–	**–**
Accruals and other payables		(6,844)	**(7,217)**	(11)	**(10)**
Amount payable to the Government under the Cyberport Project Agreement		(321)	**(321)**	–	**–**
Carrier licence fee liabilities		(173)	**(174)**	–	**–**
Amounts due to related companies		(35)	**(4)**	–	**–**
Advances from customers		(2,160)	**(2,466)**	–	**–**
Current income tax liabilities		(1,327)	**(1,581)**	–	**–**
		(14,048)	**(14,221)**	(11)	**(10)**
Liabilities of disposal group classified as held for sale		(36)	**–**	–	**–**
		(14,084)	**(14,221)**	(11)	**(10)**
Non-current liabilities					
Long-term borrowings	10	(45,131)	**(45,868)**	(3,978)	**–**
Amounts due to subsidiaries		–	**–**	(3,024)	**(3,089)**
Derivative financial instruments		(98)	**(370)**	(84)	**(102)**
Deferred income tax liabilities		(2,916)	**(3,022)**	–	**–**
Deferred income		(1,071)	**(1,088)**	–	**–**
Defined benefit liability		(154)	**(148)**	–	**–**
Carrier licence fee liabilities		(544)	**(496)**	–	**–**
Other long-term liabilities		(810)	**(893)**	–	**–**
		(50,724)	**(51,885)**	(7,086)	**(3,191)**
Net assets		14,776	**22,249**	31,874	**31,459**
CAPITAL AND RESERVES					
Share capital	11	12,954	**12,954**	12,954	**12,954**
Reserves		(928)	**6,382**	18,920	**18,505**
Equity attributable to equity holders of the Company		12,026	**19,336**	31,874	**31,459**
Non-controlling interests		2,750	**2,913**	–	**–**
Total equity		14,776	**22,249**	31,874	**31,459**

* The notes referenced above pertain solely to the consolidated statement of financial position. The above Company statement of financial position as at June 30, 2017 and December 31, 2016 is presented only as additional information to this unaudited condensed consolidated interim financial information.

The notes on pages 32 to 50 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, 2017

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 consolidated 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 consolidated income statement	–	–	–	–	–	(26)	–	–	–	(26)	(15)	(41)
Other comprehensive income/(loss) for the period	–	–	–	–	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 shares of PCCW Limited ("PCCW Shares") under share award scheme	–	–	(3)	–	–	–	–	–	–	(3)	–	(3)
Purchase of share stapled units of HKT Trust and HKT Limited ("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
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)
Changes in ownership interests in subsidiaries that do not result in a loss 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

For the six months ended June 30, 2017

In HK$ million	2017 (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)/ Retained profits	Total		
At January 1, 2017	12,954	918	(18)	81	(1,085)	422	278	(113)	(1,411)	12,026	2,750	14,776
Total comprehensive income/(loss) for the period												
Profit for the period	–	–	–	–	–	–	–	–	1,293	1,293	1,091	2,384
Other comprehensive income/(loss)												
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:												
Translation exchange differences:												
– exchange differences on translating foreign operations	–	–	–	–	188	–	–	–	–	188	50	238
– reclassification of currency translation reserve	–	–	–	–	172	–	–	–	–	172	–	172
Available-for-sale financial assets:												
– changes in fair value	–	–	–	–	–	–	(10)	–	–	(10)	–	(10)
Cash flow hedges:												
– effective portion of changes in fair value	–	–	–	–	–	(381)	–	–	–	(381)	(243)	(624)
– transfer from equity to consolidated income statement	–	–	–	–	–	(118)	–	–	–	(118)	(99)	(217)
Other comprehensive income/(loss) for the period	–	–	–	–	360	(499)	(10)	–	–	(149)	(292)	(441)
Total comprehensive income/(loss) for the period	–	–	–	–	360	(499)	(10)	–	1,293	1,144	799	1,943
Transactions with equity holders												
Purchase of PCCW Shares under share award scheme	–	–	(16)	–	–	–	–	–	–	(16)	–	(16)
Purchase of Share Stapled Units under share award schemes	–	–	–	–	–	–	–	–	(10)	(10)	(4)	(14)
Employee share-based compensation	–	–	–	36	–	–	–	–	–	36	6	42
Vesting of PCCW Shares and Share Stapled Units under share award schemes	–	–	19	(57)	–	–	–	–	35	(3)	3	–
Distribution for Share Stapled Units granted under share award schemes	–	–	–	(2)	–	–	–	–	(1)	(3)	1	(2)
Dividend paid in respect of previous year *(note 6(b))*	–	(918)	–	(4)	–	–	–	–	(635)	(1,557)	–	(1,557)
Distribution/Dividend declared and paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,284)	(1,284)
Total contributions by and distributions to equity holders	–	(918)	3	(27)	–	–	–	–	(611)	(1,553)	(1,278)	(2,831)
Changes in ownership interests in subsidiaries that do not result in loss of control *(note 19)*	–	–	–	–	–	–	–	–	7,719	7,719	642	8,361
Total changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	–	–	–	–	–	–	7,719	7,719	642	8,361
Total transactions with equity holders	–	(918)	3	(27)	–	–	–	–	7,108	6,166	(636)	5,530
At June 30, 2017	12,954	–	(15)	54	(725)	(77)	268	(113)	6,990	19,336	2,913	22,249

The notes on pages 32 to 50 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, 2017

In HK$ million	2016 (Unaudited)	**2017 (Unaudited)**
Net cash generated from operating activities	3,442	**5,079**
Investing activities		
Investments in an associate and a joint venture	(179)	**–**
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	–	**2,393**
Increase in short-term deposits with maturity more than three months	(4)	**(2,653)**
Other investing activities	(4,195)	**(4,924)**
Net cash used in investing activities	(4,378)	**(5,184)**
Financing activities		
New borrowings raised, net	8,950	**9,097**
Proceeds from placing of Share Stapled Units, net	–	**8,361**
Other financing activities (including repayment of borrowings)	(9,881)	**(12,049)**
Net cash (used in)/generated from financing activities	(931)	**5,409**
Net (decrease)/increase in cash and cash equivalents	(1,867)	**5,304**
Exchange differences	2	**37**
Add: cash and cash equivalents of disposal group classified as held for sale at January 1,	–	**6**
Cash and cash equivalents at January 1,	7,503	**4,751**
Cash and cash equivalents at June 30,	5,638	**10,098**
Analysis of the balance of cash and cash equivalents:		
Total cash and bank balances	5,771	**13,348**
Less: Short-term deposits	(5)	**(3,106)**
Less: Restricted cash	(128)	**(144)**
	5,638	**10,098**

The notes on pages 32 to 50 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, 2016.

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 10, 2017.

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, 2016 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, 2016 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, 2016.

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, 2016, except for the adoption of the following amended Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs (collectively "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2017 as described below.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2017, but have had no material effect on the Group's reported results and financial position for the current and prior accounting periods:

– HKAS 7 (Amendment), Statement of Cash Flows.
– HKAS 12 (Amendment), Income Taxes.
– Annual Improvements to HKFRSs 2014-2016 Cycle published in March 2017 by HKICPA.

The Group has not early 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, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting and contact centers. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.

– Media Business includes interactive pay-TV services, 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 development and management of premium-grade property and infrastructure projects as well as premium-grade property investments.

– Other Businesses primarily comprises corporate support functions, and the Group's wireless broadband business in the United Kingdom (until May 2017 when the Group completed the disposal of its entire interest in the wireless broadband business in the United Kingdom).

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, 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

In HK$ million	**For the six months ended June 30, 2017 (Unaudited)**						
	HKT	**Media Business**	**Solutions Business**	**Other Businesses**	**PCPD**	**Eliminations**	**Consolidated**
REVENUE							
External revenue	**15,150**	**1,120**	**1,277**	**30**	**106**	**–**	**17,683**
Inter-segment revenue	**499**	**661**	**408**	**–**	**1**	**(1,569)**	**–**
Total revenue	**15,649**	**1,781**	**1,685**	**30**	**107**	**(1,569)**	**17,683**
RESULTS							
EBITDA	**5,968**	**(87)**	**263**	**(304)**	**(116)**	**(91)**	**5,633**

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, 2016 (Unaudited)	**2017 (Unaudited)**
Total segment EBITDA	5,609	**5,633**
Gain/(Loss) on disposal of property, plant and equipment, net	2	**(8)**
Depreciation and amortization	(3,208)	**(3,401)**
Other (losses)/gains, net	(53)	**1,190**
Interest income	27	**58**
Finance costs	(627)	**(790)**
Share of results of associates and joint ventures	19	**(35)**
Profit before income tax	1,769	**2,647**

3 OTHER (LOSSES)/GAINS, NET

In HK$ million	Six months ended June 30, 2016 (Unaudited)	**2017 (Unaudited)**
Gain on disposal of subsidiaries *(note 18)*	–	**1,165**
Net gains on fair value hedging instruments	4	**–**
Fair value movement of derivative financial instrument	(60)	**(2)**
Net realized gains on disposal of available-for-sale financial assets	3	**3**
Dividend income	–	**22**
Others	–	**2**
	(53)	**1,190**

4 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK$ million	Six months ended June 30, 2016 (Unaudited)	**2017 (Unaudited)**
Cost of inventories sold	2,413	**1,847**
Cost of sales, excluding inventories sold	6,081	**6,114**
Depreciation of property, plant and equipment	860	**851**
Amortization of intangible assets	2,337	**2,541**
Amortization of land lease premium – interests in leasehold land	11	**9**
Finance costs on borrowings	623	**767**

5 INCOME TAX

In HK$ million	Six months ended June 30, 2016 (Unaudited)	**2017 (Unaudited)**
Current income tax:		
Hong Kong profits tax	65	**369**
Overseas tax	47	**44**
Movement of deferred income tax	(47)	**(150)**
	65	**263**

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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 of taxation prevailing in the respective jurisdictions.

6 DIVIDENDS

a. Dividend attributable to the interim period

In HK$ million	Six months ended June 30, 2016 (Unaudited)	**2017 (Unaudited)**
Interim dividend declared after the interim period of 8.57 HK cents (2016: 8.16 HK cents) per ordinary share	629	**662**

At a meeting held on August 10, 2017, the directors declared an interim dividend of 8.57 HK cents per ordinary share for the year ending December 31, 2017. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information.

b. Dividends approved and paid during the interim period

In HK$ million	Six months ended June 30, 2016 (Unaudited)	**2017 (Unaudited)**
Final dividend in respect of the previous financial year, approved and paid during the interim period of 20.17 HK cents (2016: 17.04 HK cents *(note i)*) per ordinary share	1,299	**1,557**
Less: dividend for PCCW Shares held by share award schemes	(1)	**(4)**
	1,298	**1,553**

i. Please refer to note 11(a) for the details of shares issued and allotted in lieu of cash dividends 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, 2016 (Unaudited)	Six months ended June 30, **2017 (Unaudited)**
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per share	868	**1,293**
Number of shares		
Weighted average number of ordinary shares	7,625,980,832	**7,719,638,249**
Effect of PCCW Shares held under the Company's share award schemes	(12,383,503)	**(16,934,119)**
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,613,597,329	**7,702,704,130**
Effect of PCCW Shares awarded under the Company's share award schemes	8,279,254	**7,984,225**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,621,876,583	**7,710,688,355**

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, 2016 (Audited)	As at **June 30, 2017 (Unaudited)**
1 – 30 days	2,276	**1,456**
31 – 60 days	510	**582**
61 – 90 days	324	**217**
91 – 120 days	223	**162**
Over 120 days	717	**1,002**
	4,050	**3,419**
Less: Impairment loss for doubtful debts	(272)	**(272)**
	3,778	**3,147**

Included in trade receivables, net were amounts due from related parties of HK$62 million and HK$37 million as at June 30, 2017 and December 31, 2016 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, 2016 (Audited)	**As at June 30, 2017 (Unaudited)**
1 – 30 days	1,664	**997**
31 – 60 days	155	**174**
61 – 90 days	86	**77**
91 – 120 days	36	**65**
Over 120 days	790	**616**
	2,731	**1,929**

Included in trade payables were amounts due to related parties of HK$58 million and HK$58 million as at June 30, 2017 and December 31, 2016 respectively.

10 LONG-TERM BORROWINGS

On March 9, 2017, PCPD Capital Limited ("PCPD Capital"), an indirect non-wholly owned subsidiary of the Company, issued US$570 million 4.75% guaranteed notes due 2022, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by PCPD, being an indirect non-wholly owned subsidiary of the Company, and rank pari passu with all other outstanding unsecured and unsubordinated obligations of PCPD Capital and PCPD.

11 SHARE CAPITAL

	Six months ended June 30,			
	2016		**2017**	
	Number of shares (Unaudited)	Share capital (Unaudited) HK$ million	**Number of shares (Unaudited)**	**Share capital (Unaudited) HK$ million**
Ordinary shares, issued and fully paid:				
As at January 1,	7,621,350,679	12,505	**7,719,638,249**	**12,954**
PCCW Shares issued in lieu of cash dividends *(note a)*	84,268,778	429	**–**	**–**
As at June 30,	7,705,619,457	12,934	**7,719,638,249**	**12,954**

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

b. The Company had total distributable reserves of HK$18,508 million as at June 30, 2017 (December 31, 2016: HK$18,855 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, 2017.

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, 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

* 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.

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

	Six months ended June 30, 2017	
	Number of PCCW Shares (Unaudited)	Number of Share Stapled Units (Unaudited)
As at January 1, 2017	**17,516,120**	**5,535,553**
Purchase from the market by the trustee at weighted average market price of HK$4.78 per PCCW Share/HK$10.40 per Share Stapled Unit	**3,441,000**	**1,379,000**
PCCW Shares/Share Stapled Units vested	**(7,265,554)**	**(5,271,780)**
As at June 30, 2017	**13,691,566**	**1,642,773**

The weighted average fair values of the PCCW Shares and the Share Stapled Units awarded during the six months ended June 30, 2017 at the dates of award are HK$4.60 (2016: HK$5.08) per PCCW Share and HK$10.04 (2016: HK$10.92) per Share Stapled Unit respectively, which are measured by the quoted market price of the PCCW Shares and the Share Stapled Units at the respective award dates respectively.

13 CAPITAL COMMITMENTS

In HK$ million	As at	
	December 31, 2016 (Audited)	**June 30, 2017 (Unaudited)**
Authorized and contracted for	1,285	**918**

Included in the capital commitments were commitments of HK$520 million and HK$715 million for the purchase of property, plant and equipment as at June 30, 2017 and December 31, 2016 respectively.

Additions of property, plant and equipment were HK$1,518 million and HK$1,595 million for the six months ended June 30, 2017 and 2016 respectively.

14 CONTINGENT LIABILITIES

In HK$ million	As at	
	December 31, 2016 (Audited)	**June 30, 2017 (Unaudited)**
Performance guarantees	923	**889**
Others	76	**65**
	999	**954**

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, 2016 (Audited)	As at **June 30, 2017 (Unaudited)**
Property, plant and equipment	2	**40**
Investment properties	3,188	**–**
Available-for-sale financial assets	–	**850**
Other current assets	87	**–**
Restricted cash	8	**–**
Cash and cash equivalents	88	**–**
	3,373	**890**

As at December 31, 2016, performance guarantee of HK$161 million received in relation to the construction of the premium office building in Jakarta, Indonesia was pledged for certain bank loan facilities. This pledge was released during the six months ended June 30, 2017.

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, 2016 (Unaudited)	**Six months ended June 30, 2017 (Unaudited)**
Telecommunications service fees, facility management service charges, interest income and other recharge costs received or receivable from joint ventures	a	32	**28**
Consultancy service charges and interest income received or receivable from an associate	a	7	**8**
Telecommunications service fees, system integration charges and data center hosting service fees received or receivable from a substantial shareholder	a	70	**55**
Telecommunications service fees, equipment purchase costs, outsourcing fees and rental charges paid or payable to joint ventures	a	156	**149**
Telecommunications service fees and facility management service charges paid or payable to a substantial shareholder	a	62	**46**
Telecommunications service fees paid or payable to an associate	a	–	**9**
Key management compensation	b	52	**71**

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, 2016 (Unaudited)	Six months ended June 30, **2017 (Unaudited)**
Salaries and other short-term employee benefits	44	**61**
Share-based compensation	6	**8**
Post-employment benefits	2	**2**
	52	**71**

17 FINANCIAL INSTRUMENTS

a. Financial risk factors

Exposure to credit, liquidity, and market risk (including foreign currency risk and interest rate risk) arises 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. Exposure to these risks is 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, 2016. There have been no material changes in the financial management policies and practices since December 31, 2016.

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, 2016:

In HK$ million	As at December 31, 2016 (Audited)			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
– Listed equity securities	12	–	–	12
– Unlisted equity securities	–	–	1,045	1,045
Derivative financial instruments (non-current)	–	289	–	289
Total assets	12	289	1,045	1,346
Liabilities				
Contingent consideration payable	–	–	(22)	(22)
Derivative financial instruments (non-current)	–	(98)	–	(98)
Total liabilities	–	(98)	(22)	(120)

The following table presents the Group's financial instruments that are measured at fair value as at June 30, 2017:

In HK$ million	**As at June 30, 2017 (Unaudited)**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale financial assets				
– Listed equity securities	**876**	**–**	**–**	**876**
– Unlisted equity securities	**–**	**–**	**1,058**	**1,058**
Derivative financial instruments (non-current)	**–**	**40**	**–**	**40**
Derivative financial instruments (current)	**–**	**6**	**–**	**6**
Other financial assets	**–**	**78**	**–**	**78**
Total assets	**876**	**124**	**1,058**	**2,058**
Liabilities				
Contingent consideration payable	**–**	**–**	**(22)**	**(22)**
Derivative financial instruments (non-current)	**–**	**(370)**	**–**	**(370)**
Total liabilities	**–**	**(370)**	**(22)**	**(392)**

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 Euronext Amsterdam and Tokyo Stock Exchange, Inc..

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, foreign currency option and foreign exchange forward contracts classified as derivative financial instruments and an investment in liquidity fund classified as other financial assets.

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 foreign currency option is determined using Black-Scholes option pricing model. The model's key inputs include the contractual terms of the contract, along with observable inputs, including spot and forward exchange rates, 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.

– The fair value of the investment in liquidity fund is based on information from public markets.

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 consolidated statement of financial position at cost less impairment losses.

The key assumptions adopted in the valuation models include market multiples and discount rate 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, 2016: 3 – 20)
– Liquidity discount: 15% – 30% (December 31, 2016: 15% – 30%)

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the six months ended June 30, 2017.

There were no material changes in valuation techniques during the six months ended June 30, 2017.

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, 2016 and 2017:

In HK$ million	Available-for-sale financial assets – unlisted equity securities Six months ended June 30,		Contingent consideration payable Six months ended June 30,	
	2016 (Unaudited)	**2017 (Unaudited)**	2016 (Unaudited)	**2017 (Unaudited)**
At January 1,	782	**1,045**	(22)	**(22)**
Additions	77	**15**	–	**–**
Disposals	–	**(6)**	–	**–**
Unrealized fair value gains transferred to equity	–	**4**	–	**–**
At June 30,	859	**1,058**	(22)	**(22)**

During the six months ended June 30, 2016 and 2017, there was no provision for impairment recognized in the consolidated income statement.

During the six months ended June 30, 2017, available-for-sale financial assets with a carrying value of approximately HK$6 million (2016: nil) were sold and a total realized gain of HK$3 million (2016: HK$3 million) was recognized in "Other (losses)/gains, net" in the consolidated income statement. There was no transfer (2016: nil) from equity to the consolidated income statement on disposal.

c. Group's valuation process

The Group performs 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, 2016 and June 30, 2017 except as follows:

In HK$ million	As at			
	December 31, 2016 (Audited)		**June 30, 2017 (Unaudited)**	
	Carrying amount	Fair value	**Carrying amount**	**Fair value**
Long-term borrowings	(45,131)	(45,168)	**(45,868)**	**(46,426)**

The fair values of 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 DISPOSAL OF INTERESTS IN SUBSIDIARIES

As at December 31, 2016, the assets and liabilities related to Transvision Investments Limited ("Transvision"), an indirect wholly-owned subsidiary of the Company, and its subsidiaries have been presented as held for sale in the Group's consolidated statement of financial position. UK Broadband Limited, a direct wholly-owned subsidiary of Transvision (together with Transvision, the "Transvision Group"), engages in the provision of wireless broadband services in the United Kingdom. The principal assets of UK Broadband Limited are its holding of certain licences for radio frequency spectrum, its wireless networks and related systems, and its customers.

On February 6, 2017, the Group entered into a share purchase agreement pursuant to which the Group has agreed to sell the entire issued share capital of Transvision to an independent third party (the "Buyer") for £250 million cash (equivalent to approximately HK$2,509 million) and two restricted use credit vouchers issued by the Buyer with a face value of £25 million (equivalent to approximately HK$251 million) each upon completion of the sale under the share purchase agreement. The aggregate consideration is subject to possible adjustment in accordance with the terms of the share purchase agreement. The credit vouchers can be applied against specific domestic service charges (excluding value added tax) payable under a corresponding mobile virtual network operator (MVNO) agreement pursuant to which the Buyer will provide access to capacity on its mobile network. Each credit voucher is transferrable, subject to certain restrictions.

The transaction was completed in May 2017. The fair value of the two credit vouchers was not recognized at the completion of the transaction due to the uncertainty of potential market condition and the range of potential value being too wide for an amount to be measured reliably. The value will be assessed in future reporting periods and recognized once an amount can be measured reliably.

Details of net assets disposed of and the gain on disposal of interests in the Transvision Group at the date of disposal were as follows:

In HK$ million	**Net assets disposed of and the gain on disposal (Unaudited)**
Consideration received from disposal of interests in the Transvision Group	**2,509**
Less: Carrying amount of net assets disposed of and direct expenses	**(1,172)**
Reclassification of currency translation reserve	**(172)**
Gain on disposal recognized in the consolidated income statement	**1,165**

18 DISPOSAL OF INTERESTS IN SUBSIDIARIES *(CONTINUED)*

The assets and liabilities of the Transvision Group at the date of disposal were as follows:

In HK$ million	Carrying amount (Unaudited)
Property, plant and equipment	**346**
Goodwill	**53**
Intangible assets	**112**
Deferred income tax assets	**275**
Prepayments, deposits, and other current assets	**100**
Inventories	**3**
Trade receivables, net	**2**
Cash and cash equivalents	**5**
Trade payables	**(5)**
Accruals and other payables	**(9)**
Advances from customers	**(1)**
Other long-term liabilities	**(4)**
Net assets disposed of	**877**

In HK$ million	Net cash inflow (Unaudited)
Consideration settled by cash, net of direct expenses	**2,398**
Less: Cash and cash equivalents of the Transvision Group disposed of	**(5)**
Net inflow of cash and cash equivalents in respect of disposal of the Transvision Group	**2,393**

19 CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

During the six months ended June 30, 2017, the Group completed the placing of 840,747,000 Share Stapled Units at HK$10.15 per Share Stapled Unit at an aggregate consideration, net of direct expenses, of approximately HK$8,361 million in cash. Accordingly, the Group recognized an increase in non-controlling interests of HKT Trust, HKT and its subsidiaries of approximately HK$642 million and an increase in equity attributable to the equity holders of the Company of approximately HK$7,719 million. Immediately after the completion of the placing, the Group holds approximately 51.97% of the total number of Share Stapled Units in issue, representing a reduction by approximately 11% from that before the placing.

20 POSSIBLE IMPACT OF NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING DECEMBER 31, 2017

Up to the date of approval of this unaudited condensed consolidated interim financial information, the HKICPA has issued a number of new and amended standards which are not yet effective for the accounting period ending December 31, 2017 and have not been early adopted in this unaudited condensed consolidated interim financial information.

None of the new and amended standards is expected to have a significant effect on the financial statements of the Group, except the following set out below:

HKFRS 15, "Revenue from Contracts with Customers"

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services, HKAS 11 which covers construction contracts and related literature. HKFRS 15 is based on the principle that revenue is recognized when control of a good or service transfers to a customer. HKFRS 15 permits either a full retrospective or a modified retrospective approach for the adoption. The Group will adopt HKFRS 15 effective January 1, 2018.

While the Group is continuing to assess the effect of applying HKFRS 15 on the Group's consolidated financial statements, the Group have identified a number of our current revenue recognition policies and disclosures that will be impacted by HKFRS 15. Those major impacts are discussed below:

HKFRS 15 will require the identification of deliverables in contracts with customers that qualify as separate "performance obligations". The performance obligations identified will depend on the nature of individual customer contracts, but might typically be identified for mobile handsets, gifts provided free of charge and for services provided to customers such as mobile communications services. The transaction price receivable from customers must be allocated between the Group's performance obligations under the contracts on a relative stand-alone selling price basis. Currently, the Group capitalizes subsidized handsets and gifts as customer acquisition costs and amortizes these amounts on a straight-line basis over the minimum enforceable contractual periods. The primary impact on revenue reporting will be that when the Group sells subsidized handsets together with gifts and mobile communications service agreements to customers, revenue allocated to handsets and gifts, and recognized at contract inception, when control of the handsets and gifts typically passes to the customer, will increase and revenue subsequently recognized as services are delivered during the contract period will reduce. Nevertheless, it is expected that there will be no significant impact on the total revenue to be recognized by the Group in the consolidated income statement over the respective contract period. The major impact on the Group's consolidated income statement would be on the costs of subsidized handsets and gifts which are required to be recognized as costs of goods sold, as compared with the existing treatment of being charged to consolidated income statement through amortization of customer acquisition costs before the adoption of HKFRS 15. The total net profit recognized by the Group over the full contract period is not expected to be materially affected.

The adoption of HKFRS 15 will not have any material impact on the Group's consolidated statement of cash flows.

The transactions impacted by HKFRS 15 are high in volume, value and complexity, therefore the Group is continuing to assess the magnitude of the impact of these and other accounting changes that will arise under HKFRS 15, and will make more detailed assessments of the impact in the annual financial statements for the year ending December 31, 2017.

20 POSSIBLE IMPACT OF NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDING DECEMBER 31, 2017 *(CONTINUED)*

HKFRS 9, "Financial instruments"

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. HKFRS 9 relaxes the requirements for hedge effectiveness but contemporaneous documentation is still required. Measurement of impairment loss on trade receivable based on an expected credit losses model requires the use of historical data as well as forward looking information and may result in an earlier recognition of credit losses and have an impact to the Group's consolidated financial statements. Management is in the process of assessing the impact of HKFRS 9. It is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review. The adoption of HKFRS 9 is also expected to require more disclosures on the Group's consolidated financial statements. The Group will adopt HKFRS 9 effective January 1, 2018.

HKFRS 16, "Leases"

HKFRS 16 will affect primarily the accounting for the Group's operating leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized in the consolidated statement of financial position. The Group is in the process of assessing to what extent the operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. The Group will adopt HKFRS 16 effective January 1, 2019.

There are no other new and amended standards that are not yet effective which would be expected to have a significant impact on the Group's results of operations and financial position.

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, 2017, 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 (the "Shares") 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 in issue
Li Tzar Kai, Richard	–	–	307,694,369 *(Note 1(a))*	1,928,842,224 *(Note 1(b))*	2,236,536,593	28.97%
Srinivas Bangalore Gangaiah	336,835	–	–	549,761 *(Note 2)*	886,596	0.01%
Hui Hon Hing, Susanna	4,412,414	–	–	1,513,482 *(Note 2)*	5,925,896	0.08%
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 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 held by PCGH; and

   (ii) a deemed interest in 1,753,529,954 Shares 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 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 the Associated Corporations of the Company

A. HKT Trust and HKT Limited

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

Name of Director/Chief Executive	Number of Share Stapled Units held					Approximate percentage of the total number of Share Stapled Units in issue
	Personal interests	Family interests	Corporate interests	Other interests	Total	
Li Tzar Kai, Richard	–	–	66,247,614 *(Note 1(a))*	144,786,423 *(Note 1(b))*	211,034,037	2.79%
Srinivas Bangalore Gangaiah	58,175	–	–	249,664 *(Note 2)*	307,839	0.004%
Hui Hon Hing, Susanna	2,603,398	–	–	686,792 *(Note 3)*	3,290,190	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%

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 (the "Trustee-Manager", in its capacity as the trustee-manager of the HKT Trust) and HKT as supplemented, amended or substituted from time to time and the amended and restated articles of association of HKT, the number of ordinary shares and preference shares of HKT in issue must be the same at all times and must also, in each case, be equal to the number of units of the HKT Trust in issue; and each of them is equal to the number of Share Stapled Units in issue.

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

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

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

Notes:

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

   (b) These interests represented:

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

B. PCCW-HKT Capital No.5 Limited

PineBridge Investments Europe Limited ("PBIEL") in its capacity as investment manager for a third party client had discretionary authority to deal with nominal amount of bond currency at US$1,200,000 of PCCW-HKT Capital No.5 – 3.75% due 2023 (the "2023 Bonds") issued by PCCW-HKT Capital No.5 Limited, an associated corporation of the Company. PBIEL was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the amount of US$1,200,000 of the 2023 Bonds.

C. HKT Capital No. 2 Limited

PBIEL in its capacity as investment manager for a third party client had discretionary authority to deal with nominal amount of bond currency at US$1,900,000 of HKT Capital No. 2 – 3.625% due 2025 (the "2025 Bonds") issued by HKT Capital No. 2 Limited, an associated corporation of the Company. PBIEL was an indirect subsidiary of Chiltonlink and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the amount of US$1,900,000 of the 2025 Bonds.

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

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

D. PCPD Capital Limited

The table below sets out the aggregate long positions in the 4.75% bonds due 2022 (the "2022 Bonds") issued by PCPD Capital Limited, an associated corporation of the Company, held by the directors and chief executives of the Company:

	Principal amount of the 2022 Bonds held (US$)				
Name of Director/Chief Executive	Personal interests	Family interests	Corporate interests	Other interests	Total
Li Tzar Kai, Richard	–	–	70,000,000 *(Note 1)*	–	70,000,000
Lee Chi Hong, Robert	2,250,000 *(Note 2)*	–	–	–	2,250,000
Frances Waikwun Wong	–	–	–	500,000 *(Note 3)*	500,000

Notes:

1. These 2022 Bonds were held by Ultimate Talent Limited, a wholly-owned subsidiary of Elderfield Limited ("Elderfield"). Li Tzar Kai, Richard owned 100% of the issued share capital of Elderfield.

2. These 2022 Bonds were held jointly by Lee Chi Hong, Robert and his spouse.

3. These 2022 Bonds were held by Frances Waikwun Wong in the capacity of the founder of a discretionary trust.

Save as disclosed in the foregoing, as at June 30, 2017, 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, 2017.

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, in the future.

In respect of the Purchase Scheme, during the six months ended June 30, 2017, an aggregate of 5,324,103 Shares and 1,465,453 Share Stapled Units were awarded pursuant to the Purchase Scheme subject to certain vesting conditions, including awards in respect of 420,524 Shares and 191,489 Share Stapled Units made to BG Srinivas, and 1,056,622 Shares and 218,964 Share Stapled Units made to Hui Hon Hing, Susanna (both of them are directors of the Company). Additionally, no Shares have lapsed and/or been forfeited and 3,876,009 Shares have vested; and 33,713 Share Stapled Units have lapsed and/or been forfeited and 624,184 Share Stapled Units have vested during the period. As at June 30, 2017, 8,953,917 Shares and 1,992,338 Share Stapled Units awarded pursuant to the Purchase Scheme remained unvested.

In respect of the Subscription Scheme, during the six months ended June 30, 2017, an aggregate of 4,163,473 Shares were awarded pursuant to the Subscription Scheme subject to certain vesting conditions. Additionally, 215,120 Shares have lapsed and/or been forfeited and 3,389,545 Shares have vested during the period. As at June 30, 2017, 5,857,483 Shares awarded pursuant to the Subscription Scheme remained unvested. During the six months ended June 30, 2017, 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, 2017 and June 30, 2017, no Share Stapled Units awarded pursuant to the Subscription Scheme remained unvested.

Please also refer to the summary of movements in the Shares 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 40 and 41.

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 the Trustee-Manager (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, 2017.

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, 2017, an aggregate of 2,392,160 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 262,177 Share Stapled Units made to Hui Hon Hing, Susanna (a director of the Company). Additionally, 72,548 Share Stapled Units have lapsed and/or been forfeited and 4,647,596 Share Stapled Units have vested during the period. As at June 30, 2017, 3,436,273 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, 2017.

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 40 and 41.

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, 2017.

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, 2017, 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 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 in issue
Interests			
PCRD		1,753,529,954	22.72%
PCGH	*1*	1,928,842,224	24.99%
Star Ocean Ultimate Limited	*2 and 3*	1,928,842,224	24.99%
The Ocean Trust	*2*	1,928,842,224	24.99%
The Starlite Trust	*2*	1,928,842,224	24.99%
OS Holdings Limited	*2*	1,928,842,224	24.99%
Ocean Star Management Limited	*2*	1,928,842,224	24.99%
The Ocean Unit Trust	*2*	1,928,842,224	24.99%
The Starlite Unit Trust	*2*	1,928,842,224	24.99%
Star Ocean Ultimate Holdings Limited	*3*	1,928,842,224	24.99%
Fung Jenny Wai Ling	*4*	1,928,842,224	24.99%
Huang Lester Garson	*4*	1,928,842,224	24.99%
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	18.46%

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, 2017, 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 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 in issue
Interests			
Ocean Star Investment Management Limited	*Note*	1,928,842,224	24.99%

Note:
Ocean Star Investment Management Limited was deemed interested under the SFO in the Shares 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, 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2017, 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, 2017. 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, 2017.

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 2017 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
Shao Guanglu
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

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 2017
This Interim Report 2017 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 2017 using electronic means through the website of the Company may request a printed copy, or
B) received the Interim Report 2017 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 2017) using electronic means through the Company's website and who, for any reason, have difficulty in receiving or gaining access to the Interim Report 2017 will promptly, upon request in writing or by email to the Company's Share Registrar, be sent the Interim Report 2017 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, 2017:	7,719,638,249 shares

DIVIDEND
Interim dividend per ordinary share for the six months ended June 30, 2017	8.57 HK cents

FINANCIAL CALENDAR
Announcement of 2017 Interim Results	August 10, 2017
Closure of register of members	August 31 – September 1, 2017 (both days inclusive)
Record date for 2017 interim dividend	September 1, 2017
Payment of 2017 interim dividend	On or around October 12, 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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T: +852 2888 2888 F: +852 2877 8877 www.pccw.com

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