PCCW

Interim Report 2019

Stock Code: 0008

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CORPORATE PROFILE

PCCW Limited is a global company headquartered in Hong Kong which holds interests in telecommunications, media, IT solutions, property development and investment, and other businesses.

The Company holds a majority interest in the HKT Trust and HKT Limited, Hong Kong's premier telecommunications service provider and leading operator in fixed-line, broadband and mobile communication services. Beyond connectivity, HKT provides innovative smart living and business services to individuals and enterprises.

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 23,400 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).

STATEMENT FROM THE CHAIRMAN

I am pleased to report that PCCW recorded steady operational performances across its core businesses in the six months ended June 30, 2019.

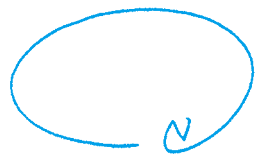
PCCW's media business delivers exclusive and premium content including original productions via the pay-TV platform Now TV, our leading regional OTT platform Viu, and free television service ViuTV. During the first half, Now TV continued to sustain its leadership with enhanced operational efficiency, while Viu and ViuTV recorded further increases in viewership.

With its own IP (intellectual property) and industry-specific solutions, PCCW Solutions has been driving enterprises' digital transformation in Hong Kong where it enjoys a market leading position. As it expands its regional footprint progressively, PCCW Solutions has strengthened its presence in Singapore and the Philippines in the past months.

HKT recorded solid operational results in the six months to June, reflecting its ability to leverage its market knowledge and technology expertise to deliver first-class broadband and mobile services to customers.

Pacific Century Premium Developments' projects in Japan and Thailand progressed as scheduled. Completion of the hotel and residences at Niseko, Hokkaido is expected in the fourth quarter of 2019, while we commenced construction of a golf and country club at Phang-nga in July.

PCCW's diversified businesses and expanding geographical footprint have provided us with the basis for cautious optimism about the prospect of the Group despite a slow start of the local and global economies this year. Going forward, it is nonetheless imperative that we monitor the market and economic situations closely and continue to conduct our businesses prudently.



Richard Li
Chairman
August 8, 2019

STATEMENT FROM THE GROUP MANAGING DIRECTOR

It is my pleasure to present an overview of the PCCW Group's key business activities in media entertainment, IT solutions, telecommunications, and property development and investment in the following sections.

MULTI-PLATFORM OFFERING OF PREMIUM CONTENT

The Group's local media business mainly comprises Now TV, the largest pay-TV platform in Hong Kong, its OTT extension Now E, and free television service ViuTV. Outside of Hong Kong, Viu is a leading regional OTT entertainment platform.

Now TV delivered a set of satisfactory results for the first six months, reflecting its continuous effort in improving operational efficiency and optimizing the performance of its content portfolio.

As Hong Kong's home of sports, we exclusively broadcast all 26 matches of CONMEBOL Copa América Brasil 2019 this summer. In May, we secured the exclusive rights in Hong Kong for the 2020 UEFA European Football Championship (UEFA EURO 2020™). Now TV, Now E and ViuTV will broadcast the tournament which will be held in 12 European cities in June and July next year.

Now TV has also strengthened its appeal to family audience with a new STEM learning pack in April. The pack comprises TV channels, on demand content, and educational apps and toys, aiming to create an environment and provide interactive tools for parent-child learning outside school.

MORE APPEALING FREE TV PROGRAMMING

ViuTV introduced a drama time belt in its evening program schedule in April to better serve the interest of Hong Kong viewers. This has had a positive impact on the number of viewers as well as resulting in increased prime time consumption per viewer. At the same time, ViuTV continues to produce a variety of non-drama content to give TV audience more quality choices.

The success of its talent scouting show last year has presented ViuTV with opportunities to expand its revenue streams through artiste management and events. ViuTV also distributes self-produced content to Southeast Asian markets, mainland China, and the U.S.

CAPTIVATING VIEWERS ACROSS THE REGION

Viu OTT's footprint currently covers 17 markets across Southeast Asia, the Middle East and South Africa. Its monthly active users (MAUs) continued to grow to 36 million at the end of June, from around 20 million a year ago. Those viewers consumed 30 billion minutes of video content in the first half, more than doubling the time in the same period in 2018.

In addition to popular premium content with regional appeal from broadcasters in Korea, Japan, mainland China and Hong Kong, Viu Original productions in local markets have become a major attraction to viewers. Viu has announced 80 titles of originals in Indonesia, Malaysia, Thailand, Singapore, the Middle East and Africa for 2019. Through partnership with regional and local networks, we are also bringing Viu Original to places beyond Viu's market footprint.

EXPANDING IT SERVICE REGIONAL FOOTPRINT

PCCW Solutions is well-positioned to capture market opportunities due to increasing demands for digital transformation and vertical solutions that enable enterprises to add value to their customers. This has been evidenced by its capabilities in providing and maintaining the most critical IT systems in various industries in Hong Kong.

PCCW Solutions has maintained its position as the No. 1 IT services provider in Hong Kong, according to the latest ranking released by Gartner in April. It also received awards for excellence in enhancing digitally connected lives and enabling digital transformation.

With notable success in Hong Kong, PCCW Solutions has stepped up its efforts to bring its own IP (intellectual property) and industry-specific solutions to the regional markets for scalable growth. During the period, the company was awarded another significant project by a telecommunications provider in Singapore to provide strategic consultancy and implementation services for automated processing and customer portal. We have strengthened our presence in Singapore and the Philippines for deeper account penetration, and extended strategic initiatives in other Southeast Asian markets to expand our regional footprint progressively.

In Hong Kong, PCCW Solutions' new world-class data center is scheduled to open in the third quarter of this year. We have secured substantial pre-commitment from clients including leading global players in the technology and financial sectors. In the meantime, we plan to expand our data center footprint in Japan, Korea and Southeast Asia where there are customer demands.

HKT

For the six months under review, HKT recorded another period of solid operational results. It continued its strategy of strengthening the existing businesses while seeking growth in new verticals.

Our consumer broadband business continued to perform steadily in a highly competitive market, and HKT's enterprise services made notable contribution to the first half results.

On mobile communications, HKT welcomes the Government's decision to set lower reserve prices for the auction of 5G spectrum later this year. HKT will cautiously roll out 5G next year when the necessary ecosystem is in place.

The Club, HKT's loyalty program, helps reduce churn and engage new customers. As we understand our customers better, we have extended our service offerings to include travel booking and online shopping. In March, a joint venture comprising PCCW, HKT and other partners was granted a virtual bank licence by the Hong Kong Monetary Authority.

PACIFIC CENTURY PREMIUM DEVELOPMENTS

In Hokkaido, Japan, more than 90% of the units at the Park Hyatt Niseko Hanazono Residences have been sold or reserved. Opening of the residences and the hotel, Park Hyatt Niseko Hanazono, is expected in the coming winter.

Pacific Century Premium Developments (PCPD) is on schedule with the first phase design and infrastructure construction of the project at Phang-nga, Thailand. Construction of a golf and country club commenced in July. The facility, together with the golf course, will be operational by the end of 2020.

Leasing of office space at Pacific Century Place, Jakarta, has been stable with approximately 85% of the office space having been reserved or committed to date. PCPD will continue to discuss with potential tenants which have expressed interest in moving into the premium office building.

OUTLOOK

PCCW's strategy is to continue to maintain and strengthen the market leading positions of our core businesses as we identify opportunities for growth. Over the period under review, the media, IT solutions and telecommunications businesses have enriched their service offerings, enlarged geographical footprint, and expanded into new verticals.

Our media propositions cater to the different needs of a wide spectrum of viewers in Hong Kong, the region, and beyond. We aim to offer more exclusive, relevant and original content via our synergistic multiple platforms.

PCCW Solutions will continue to replicate its success in Hong Kong and expand its presence in the Southeast Asian markets to serve the increasing demand for IT solutions by enterprises and public organizations.

HKT will seek to further increase profitability and cash flow of its underlying businesses by providing increased value for customers and through improvements in operational efficiencies, while cautiously growing new businesses.

The global economy has been impacted by the U.S.-Mainland trade conflicts and other factors, spilling over to Hong Kong which saw a contraction of growth in the first half. In the second half, Hong Kong's economy is set to face increased uncertainties. We will monitor developments closely as we implement strategies to pursue growth on our robust diversified businesses.

BG Srinivas
Group Managing Director
August 8, 2019

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard
Chairman

Mr Li, aged 52, 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 of Pacific Century Premium Developments Limited (PCPD), the Chairman of PCPD's Executive Committee, a member of PCPD's Remuneration Committee and Nomination Committee, the Chairman and an Executive Director of Singapore-based Pacific Century Regional Developments Limited (PCRD), and the Chairman of PCRD's Executive Committee.

Mr Li is a 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 58, 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 of 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 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 54, 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 and the Group Managing Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, a member of HKT's Executive Committee and an Executive Director of Pacific Century Premium Developments Limited (PCPD).

Ms Hui joined Cable & Wireless HKT Limited (which was subsequently acquired by PCCW) in September 1999. Since then, she has served the PCCW Group in various capacities in the past 20 years, including as Director of Group Finance of the PCCW Group from September 2006 to April 2007, and the Director of Finance of the PCCW Group with responsibility for the telecommunications services sector and regulatory accounting. Ms Hui was also the Group Chief Financial Officer of HKT from November 2011 to August 2018 and the Chief Financial Officer of PCPD from July 2009 to November 2011.

Prior to joining Cable & Wireless HKT Limited, 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 68, 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 the Non-Executive Chairman and a Non-Executive Director of Pacific Century Premium Developments Limited.

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

TSE Sze Wing, Edmund, GBS
Non-Executive Director
Mr Tse, aged 81, 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 prestigious Insurance Hall of Fame and in 2017, Mr Tse was awarded the first ever "Lifetime Achievement Award" at the Pacific Insurance Conference in recognition of his outstanding contribution to the insurance industry. In 2018, Mr Tse was conferred an Honorary Degree of Doctor of Business Administration by Lingnan University. In 2019, Mr Tse was also conferred Fellowship by the Hong Kong Academy of Finance. 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.

LI Fushen

Deputy Chairman

Mr Li, aged 56, became a Non-Executive Director of PCCW in July 2007. He was appointed Deputy Chairman in September 2018 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 Li is an Executive Director of China Unicom (Hong Kong) Limited (Unicom HK). He is also a Director of China United Network Communications Group Company Limited (Unicom), China United Network Communications Limited (Unicom A-Share) and China United Network Communications Corporation Limited.

He served as Deputy General Manager of the former Jilin Provincial Telecommunications Company and Jilin Communications Company, General Manager of the Finance Department and Chief Accountant of China Network Communications Group Corporation, Chief Financial Officer, Executive Director and Joint Company Secretary of China Netcom Group Corporation (Hong Kong) Limited, Vice President and Chief Accountant of Unicom, Senior Vice President of Unicom A-Share, and Senior Vice President and Chief Financial Officer of Unicom HK.

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 55, 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 China United Network Communications Group Company Limited (Unicom) and an Executive Director and Senior Vice President of China Unicom (Hong Kong) Limited. He is also a Senior Vice President 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 (now known as Unicom) in February 1995. 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 Unicom. He was a Director of China United Network Communications Limited. In addition, Mr Shao serves as a Non-Executive Director of China Communications Services Corporation Limited and China Tower Corporation Limited, and a Director of GSM Association.

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.

ZHU Kebing

Non-Executive Director

Mr Zhu, aged 44, became a Non-Executive Director of PCCW in September 2018 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 a member of HKT's Regulatory Compliance Committee.

Mr Zhu is an Executive Director and Chief Financial Officer of China Unicom (Hong Kong) Limited, the Chief Accountant of China United Network Communications Group Company Limited, the Chief Financial Officer and Board Secretary of China United Network Communications Limited, and a Director and the Chief Financial Officer of China United Network Communications Corporation Limited.

Mr Zhu previously worked as Deputy Head of the Financial Department, General Manager, Budgeting Controller and Asset Management Controller of the Operation and Financial Department of Baosteel Group Co., Ltd., Chief Financial Officer, Board Secretary and Supervisor of Baoshan Iron and Steel Co., Ltd., General Manager of the Industry Finance Development Center of China Baowu Steel Group Corporation Limited, Director of Shanghai Baosight Software Co., Ltd., Non-Executive director of China Pacific Insurance (Group) Co., Ltd., General Manager of Hwabao Investment Co., Ltd., Director of Sailing Capital International Investment Fund (Shanghai) Co., Ltd., Director of Sailing Capital Management Co., Ltd., Director of Siyuanhe Equity Investment Management Co., Ltd. and Vice President of PE Association of Shanghai etc.

Mr Zhu is a Senior Accountant graduated from Northeastern University in 1997 and he received a Professional Accountancy master's degree from Chinese University of Hong Kong in 2011. Mr Zhu has extensive experience in corporate finance and investment management.

WEI Zhe, David
Non-Executive Director
Mr Wei, aged 48, 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, from 2007 to 2011, 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, an independent director of 500.com Limited and Shanghai M&G Stationery Inc., 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 Smart Commerce 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 and OneSmart International Education Group Limited, which are listed on the New York Stock Exchange. Mr Wei was a non-executive director of Informa PLC (currently listed on the London Stock Exchange (LSE)) and UBM plc (formerly listed on the LSE).

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

Aman MEHTA
Independent Non-Executive Director
Mr Mehta, aged 72, 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 Godrej Consumer Products Limited, Wockhardt Limited, Tata Steel Limited and Vedanta Limited in Mumbai, India; and Max Financial Services Limited in New Delhi, India. He was an Independent Non-Executive Director of Emaar MGF Land Limited, Jet Airways (India) Limited, Cairn India Limited, Vedanta Resources plc and Tata Consultancy Services 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.

Frances Waikwun WONG

Independent Non-Executive Director

Ms Wong, aged 57, 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.

Bryce Wayne LEE

Independent Non-Executive Director

Mr Lee, aged 54, 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 joined Silver Lake in 2011 and is a Managing Director of Silver Lake, with responsibilities for both the Kraftwerk and Partners strategies (principally dedicated to the Asia region for Silver Lake Partners). 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 a number of Credit Suisse's franchises including its Asian technology investment banking business 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 is a member of the Council on Foreign Relations.

Mr Lee is currently on the board of directors of Eka Software Solutions and Peloton Computer Enterprises, in addition to being responsible for Silver Lake Kraftwerk's investment in Didi Chuxing and Omio (formerly GoEuro). Previously, he served on the board of Quorum Business Solutions. Mr Lee graduated from Stanford University.

Lars Eric Nils RODERT

Independent Non-Executive Director

Mr Rodert, aged 58, 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 ÖstVäst 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 62, 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, the Non-Executive Chairman of Nordic Entertainment Group 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.

David Lawrence HERZOG

Independent Non-Executive Director

Mr Herzog, aged 59, was appointed an Independent Non-Executive Director of PCCW in October 2017. He is also a member of the Remuneration Committee, the Nomination Committee and the Regulatory Compliance Committee of the Board.

Mr Herzog retired from AIG in April 2016 after seven and a half years as the Executive Vice President and Chief Financial Officer. Mr Herzog joined American General Corporation in February 2000 as Executive Vice President and Chief Financial Officer of the Life Division. Following AIG's acquisition of American General in 2001, he was also named Chief Operating Officer for the combined U.S. domestic life insurance companies. He was elected Vice President, Life Insurance for AIG in 2003 before being named Vice President and Chief Financial Officer, Global Life Insurance in 2004. In 2005, Mr Herzog was named Comptroller, an office he held until October 2008 when he was appointed to the position from which he retired in 2016. As Chief Financial Officer for AIG, Mr Herzog oversaw the restructuring of the company, including over 50 divestitures, debt reductions and maturity profile rebalancing, repayment of the U.S. Government support with an approximate US$23 billion profit and led the Finance Team Transformation of technology, processes and talent.

Prior to joining American General, Mr Herzog held numerous positions at General American Life Insurance Company. He was Chief Financial Officer of GenAmerica Corporation, the parent company of General American Life, Reinsurance Group of America and GenCare Health along with numerous other insurance services companies. Prior to joining General American Life, Mr Herzog was Vice President and Controller for Family Guardian Life, a CitiGroup company and an Audit Supervisor with Coopers & Lybrand.

Mr Herzog serves on the board of directors of Ambac Financial Group, Inc. and is Chairman of its Audit Committee. Mr Herzog also serves on the board of directors for MetLife, Inc. and is a member of its Finance and Risk Committee, Compensation Committee and chairs the Audit Committee. Mr Herzog also serves on the board of directors of DXC Technology and is Chairman of its Audit Committee. He is a former Director of AerCap Holdings N.V. and International Lease Finance Corporation prior to its sale to AerCap. In addition, Mr Herzog has served on the boards of directors for numerous U.S. and foreign subsidiary insurance company boards.

Mr Herzog holds a bachelor's degree in Accountancy from the University of Missouri – Columbia and an M.B.A. in Finance and Economics from the University of Chicago. Additionally, he has attained the designations of Certified Public Accountant and is a Fellow in the Life Office Management Association.

Mr Herzog has served on the Federal Advisory Committee on Insurance and currently serves on the University of Missouri Trulaske College of Business Strategic Development Board. He also serves on the Investment Advisory Committee for the University of Missouri. He has also served on the board of trustees of the American College, The Logos School and The University of Missouri School of Accountancy Advisory Board. He was recognized by Treasury & Risk Magazine as one of the 100 Most Influential People in Finance and recognized by Buy-side analysts in 2014 as a leading Insurance CFO in the Institutional Investor magazine annual survey.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- HKT revenue excluding Mobile product sales increased by 1% to HK$13,768 million
- Media business revenue increased by 2% to HK$1,926 million
- Solutions business revenue was steady at HK$1,717 million

- Core revenue excluding Mobile product sales was steady at HK$15,311 million
- Core EBITDA decreased by 4% to HK$5,307 million
- Core profit attributable to equity holders of the Company was HK$308 million

- Consolidated revenue excluding Mobile product sales was steady at HK$15,518 million
- Consolidated profit attributable to equity holders of the Company was HK$163 million

- Basic earnings per share amounted to 2.11 HK cents

- Interim dividend of 9.18 HK cents per ordinary share

MANAGEMENT REVIEW

We are pleased to report that PCCW delivered a set of steady financial results for the six months ended June 30, 2019.

During the period, revenue from HKT Limited ("HKT") excluding Mobile product sales recorded 1% growth to HK$13,768 million underpinned by increases across both the Telecommunications Services ("TSS") and Mobile segments. Mobile product sales at HKT were sluggish during the period as consumers delayed upgrades in anticipation of 5G handsets. The Free TV and over-the-top ("OTT") businesses continued to deliver healthy growth with revenue expanding by 28% and 12% respectively from a year ago while the revenue performance at Now TV was steady compared to the prior period which was boosted by the impact of the World Cup. Revenue from the Solutions business held firm at HK$1,717 million. Consequently, core revenue excluding Mobile product sales was steady at HK$15,311 million.

EBITDA at HKT improved by 2% to HK$5,733 million during the period as a result of continued improvements in operating efficiency across both the TSS and Mobile segments. Solutions EBITDA expanded by 8% to HK$293 million due to increased contribution from higher margin cloud solutions revenue as well as the initial benefits of regional expansion. Now TV's EBITDA grew by 3% to HK$204 million as it streamlined its content costs. However, further investments to drive future growth in Free TV and OTT offset these gains and led to PCCW's core EBITDA decreasing by 4% to HK$5,307 million.

During the period, there was a steady increase in occupancy at Pacific Century Place, Jakarta ("PCP, Jakarta") which contributed to revenue at PCPD increasing by 25% to approximately HK$207 million for the six months ended June 30, 2019 as compared to approximately HK$165 million for the corresponding period in 2018.

Consolidated revenue excluding Mobile product sales was steady at HK$15,518 million. Consolidated profit attributable to equity holders of the Company was HK$163 million. Basic earnings per share was 2.11 HK cents.

The board of Directors (the "Board") has resolved to declare an interim dividend of 9.18 HK cents per ordinary share for the six months ended June 30, 2019.

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.

OUTLOOK

Our Media business caters to the different needs of a wide spectrum of viewers in Hong Kong, the region, and beyond. Now TV will focus on driving enhanced profitability and margins as well as increasing its market penetration through the recently launched Now E service. Our OTT service will continue to build its geographical presence in the region and increase user engagement while our Free TV service will strive to further broaden its viewer base as well as explore non-traditional revenue opportunities.

In Hong Kong, PCCW Solutions is expanding its data center infrastructure with additional capacity scheduled to be ready for service and contributing revenue in the second half of 2019. In the region, the Solutions business will continue to replicate the success in Hong Kong and expand its presence in the Southeast Asian markets to serve the increasing demand for IT solutions by enterprises and public organizations.

HKT will seek to further increase profitability and cash flow of its underlying businesses by providing increased value for customers and through improvements in operational efficiencies, while cautiously growing new businesses.

The global economy has been impacted by the escalating U.S.–China trade conflicts and other geopolitical factors, spilling over to Hong Kong which saw much slower economic growth in the first half. In the second half, Hong Kong's economy is set to face increased uncertainties. We will monitor developments closely and exercise caution in pursuing growth on our robust diversified businesses.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK$ million	Jun 30, 2018	Dec 31, 2018	**Jun 30, 2019**	Better/ (Worse) y-o-y
Revenue				
HKT	17,022	18,165	**15,109**	(11)%
HKT (excluding Mobile Product Sales)	13,648	15,782	**13,768**	1%
Mobile Product Sales	3,374	2,383	**1,341**	(60)%
Now TV Business	1,392	1,463	**1,358**	(2)%
Free TV Business	99	105	**127**	28%
OTT Business	394	515	**441**	12%
Solutions Business	1,709	2,384	**1,717**	0%
Eliminations	(1,807)	(2,891)	**(2,100)**	(16)%
Core revenue	18,809	19,741	**16,652**	(11)%
PCPD	165	135	**207**	25%
Consolidated revenue	18,974	19,876	**16,859**	(11)%
Cost of sales	(10,152)	(10,490)	**(8,149)**	20%
Operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net	(3,349)	(2,624)	**(3,423)**	(2)%
EBITDA[1]				
HKT	5,639	6,919	**5,733**	2%
Now TV Business	198	273	**204**	3%
Free TV Business	(131)	(219)	**(143)**	(9)%
OTT Business	(144)	(192)	**(235)**	(63)%
Solutions Business	271	809	**293**	8%
Other Businesses	(193)	(400)	**(233)**	(21)%
Eliminations	(87)	(343)	**(312)**	(259)%
Core EBITDA[1]	5,553	6,847	**5,307**	(4)%
PCPD	(80)	(85)	**(20)**	75%
Consolidated EBITDA[1]	5,473	6,762	**5,287**	(3)%
Core EBITDA**[1] **margin	*30%*	*35%*	***32%***	
Consolidated EBITDA**[1] **margin	*29%*	*34%*	***31%***	
Depreciation	(1,784)	(1,726)	**(1,604)**	10%
Amortization	(1,680)	(1,801)	**(1,710)**	(2)%
Gain/(Loss) on disposal of property, plant and equipment, net	1	(7)	**(2)**	n/a
Other gains, net	334	309	**426**	28%
Interest income	71	63	**40**	(44)%
Finance costs	(893)	(1,006)	**(925)**	(4)%
Share of results of associates and joint ventures	(26)	94	**10**	n/a
Profit before income tax	1,496	2,688	**1,522**	2%
Income tax	(437)	(697)	**(423)**	3%
Non-controlling interests	(874)	(1,279)	**(936)**	(7)%
Profit/(Loss) attributable to equity holders of the Company				
Consolidated	185	712	**163**	(12)%
Core	368	934	**308**	(16)%
PCPD	(183)	(222)	**(145)**	21%

Note 1 *EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortization, gain/loss on disposal of property, plant and equipment, investment properties, interests in leasehold land, right-of-use assets 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 ("HKFRSs") and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*

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

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

Note 4 *Adjusted funds flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. HKT's adjusted funds flow is computed in accordance with the above definition using financial information derived from the HKT's unaudited condensed consolidated interim financial information. The adjusted funds flow may be used for debt repayment.*

HKT

For the six months ended HK$ million	Jun 30, 2018	Dec 31, 2018	**Jun 30, 2019**	Better/ (Worse) y-o-y
HKT Revenue	17,022	18,165	**15,109**	(11)%
HKT (excluding Mobile Product Sales)	13,648	15,782	**13,768**	1%
Mobile Product Sales	3,374	2,383	**1,341**	(60)%
HKT EBITDA[1]	5,639	6,919	**5,733**	2%
HKT EBITDA[1] margin	*33%*	*38%*	***38%***	
HKT Adjusted Funds Flow[4]	2,205	2,966	**2,272**	3%

HKT delivered another solid set of financial results for the six months ended June 30, 2019, demonstrating the underlying strength of its core businesses and its leading market position as an integrated telecommunications service provider to both consumers and business customers.

During the period, HKT continued to invest for business growth and drive further efficiencies across all lines of its business. Total revenue excluding Mobile product sales increased by 1% to HK$13,768 million, underpinned by steady growth in TSS and Mobile services revenue. Revenue from Mobile product sales of HK$1,341 million was recorded during the period, as compared to HK$3,374 million a year earlier, reflecting the continued lengthening of the handset replacement cycle especially in view of the impending arrival of 5G handsets.

Total EBITDA for the period was HK$5,733 million, an increase of 2% over the same period in 2018, as a result of further operating cost efficiencies. Profit attributable to holders of the share stapled units of the HKT Trust and HKT ("Share Stapled Units") was HK$2,162 million, an increase of 16% over the same period in 2018. Basic earnings per Share Stapled Unit was 28.55 HK cents.

Adjusted funds flow for the six months ended June 30, 2019 expanded by 3% to HK$2,272 million, compared to the same period in 2018. Adjusted funds flow per Share Stapled Unit correspondingly grew by 3% to 30.01 HK cents, as compared to the same period in 2018.

HKT announced an interim distribution of 30.01 HK cents per Share Stapled Unit.

For a more detailed review of the performance of HKT, including detailed reconciliation between HKT's EBITDA and adjusted funds flow as well as HKT's EBITDA and profit before income tax, please refer to its 2019 interim results announcement released on August 7, 2019.

Now TV Business

For the six months ended HK$ million	Jun 30, 2018	Dec 31, 2018	**Jun 30, 2019**	Better/ (Worse) y-o-y
Now TV Business Revenue	1,392	1,463	**1,358**	(2)%
Now TV Business EBITDA[1]	198	273	**204**	3%
Now TV *Business EBITDA[1] margin*	*14%*	*19%*	***15%***	

During the first six months of 2019, Now TV recorded revenue of HK$1,358 million of which HK$1,239 million was subscription revenue, representing over 91% of total revenue, with the remaining revenue from advertising and other sources. Excluding revenue related to the World Cup, which brought notable benefits in 2018, underlying revenue at Now TV grew by 3% year on year. As of June 2019, Now TV had an installed base of 1,341,000 with exit average revenue per user ("ARPU") of HK$174. Now TV has experienced initial success with its new Now E service and believes it will be an important contributor of further growth. The Now E service targets digitally savvy individuals who consume their media through smart devices and is being cross-promoted with HKT's Mobile and LiKE100 services to drive customer take-up.

EBITDA for the six months ended June 30, 2019 was HK$204 million, representing a 3% improvement as compared to HK$198 million a year ago. The EBITDA margin rose to 15% in the first half of 2019 compared to 14% a year earlier, primarily as a result of continued efforts in streamlining content costs.

During the period, Now TV was awarded the exclusive right to broadcast the UEFA EURO 2020™ next summer, which is expected to be one of the revenue drivers in the coming periods.

Free TV Business

For the six months ended HK$ million	Jun 30, 2018	Dec 31, 2018	**Jun 30, 2019**	Better/ (Worse) y-o-y
Free TV Business Revenue	99	105	**127**	28%
Free TV Business EBITDA[1]	(131)	(219)	**(143)**	(9)%

Revenue for ViuTV grew by 28% to HK$127 million for the six months ended June 30, 2019 from HK$99 million a year ago. Advertising revenue held steady during the period despite the impact of the World Cup in the prior period as well as the much slower economic growth in Hong Kong in the first half of 2019. ViuTV's investment in self-produced content, in particular drama programs, has helped to drive local viewership as well as generate revenue through sales to international distribution partners. Following on the success of its entertainment shows, ViuTV is also diversifying into revenue from talent management and events.

Due to the investments in content acquisition and production, EBITDA loss for the six months ended June 30, 2019 was HK$143 million. ViuTV will continue to strive to deliver high quality drama and lifestyle programs to viewers in Hong Kong and explore additional revenue opportunities from these investments.

OTT Business

For the six months ended HK$ million	Jun 30, 2018	Dec 31, 2018	**Jun 30, 2019**	Better/ (Worse) y-o-y
OTT Business Revenue	394	515	**441**	12%
OTT Business EBITDA[1]	(144)	(192)	**(235)**	(63)%

Revenue from the OTT business grew by 12% to HK$441 million from HK$394 million a year ago underpinned by growth in video OTT revenue which expanded by 24% to HK$345 million. The premium video OTT service, Viu, is now available in 17 markets across the region. Viu's largest markets include Thailand and Singapore with good traction built in Indonesia.

The popularity of the Viu service in the region continued to grow with 36 million monthly active users as of June 30, 2019 as compared to 20 million a year ago. This large base of users increased their engagement watching 30 billion video minutes in the six months ended June 30, 2019 as compared to 15 billion minutes a year ago. This increased engagement is supported by the offering of our Viu Original productions. To cater for the varying characteristics of its users, Viu operates a freemium service which yields both subscription and advertising revenue opportunities.

To enhance Viu's market penetration and drive user engagement, continued investments were made in content and brand building during the period. Consequently, the OTT business recorded an EBITDA loss of HK$235 million for the six months ended June 30, 2019.

Solutions Business

For the six months ended HK$ million	Jun 30, 2018	Dec 31, 2018	**Jun 30, 2019**	Better/ (Worse) y-o-y
Solutions Business Revenue	1,709	2,384	**1,717**	0%
Solutions Business EBITDA[1]	271	809	**293**	8%
Solutions Business EBITDA[1] margin	*16%*	*34%*	***17%***	

Revenue from the Solutions business was stable at HK$1,717 million for the six months ended June 30, 2019. Underlying the revenue performance was a 2% improvement in recurring revenue primarily driven by cloud solutions and infrastructure services. Project-related revenue was steady as the initial progress from the regional expansion was offset by continuing weak corporate spending in the mainland China market amidst the escalating U.S. trade conflict.

Riding on its strong track record, the Solutions business secured projects from existing customers as well as contract wins from new customers. During the period, the Solutions business was awarded another significant project from SPTel in Singapore to deploy an integrated business and operations support system (B/OSS) for business transformation. The Solutions business continued to work with Shin Kong Life Insurance to manage their business process management expansion project and enhance their customer experience. The Solutions business also acquired new customers including a major financial regulator in Hong Kong which is building a next generation licensing platform.

EBITDA for the six months ended June 30, 2019 increased 8% to HK$293 million with an improvement in EBITDA margin to 17%. The growth in EBITDA reflected the increased contribution from higher margin recurring revenue as well as improved management of project delivery costs.

The Solutions business had secured orders of HK$7,406 million as at June 30, 2019. In addition to the above examples, significant wins included a contract awarded to deploy a cloud-based mobile payment platform for a public transportation service provider and the provision of a centralized planning management system for China Mobile.

The Solutions business has played an active role in promoting Hong Kong as a strategic data center hub for the region and, in response to demand, is expected to open a new data center in the second half of 2019. Pre-commitments from leading global technology and financial companies have been secured with 63% of the stage 1 capacity already contracted which will start contributing to revenue in the fourth quarter of 2019.

PCPD

For the six months ended June 30, 2019, PCPD recorded total revenue of HK$207 million, compared with total revenue of HK$165 million a year earlier. PCP, Jakarta recorded a steady leasing performance with 85% of office space reserved or committed.

Solid progress has been made at the Park Hyatt Niseko Hanazono and Park Hyatt Niseko Hanazono Residences ("Branded Residences"). To date, over 90% of the luxury units were sold or reserved and PCPD will continue to market the remaining units at appropriate prices. Completion is expected in the fourth quarter of 2019 with a selection of specialty restaurants, meeting spaces, spa and wellness facilities scheduled to open in early 2020.

The project in Phang-nga, Thailand is underway and sale of the villas is scheduled to begin in the second half of 2019. The development of the golf course and the golf and country club will create a recreation destination for golfers, residents and visitors of the region, which in turn would support the overall development of the site as a residential property development and a resort destination.

Subject to obtaining relevant government approvals, PCPD intends to redevelop the Nos. 3-6 Glenealy in Central into either a luxury residence or for commercial use.

For more information about the performance of PCPD, please refer to its 2019 interim results announcement released on August 7, 2019.

Other Businesses

Other Businesses primarily comprises corporate support functions. The EBITDA cost of the Group's Other Businesses for the six months ended June 30, 2019 was HK$233 million (June 30, 2018: HK$193 million).

Eliminations

Eliminations for the six months ended June 30, 2019 were HK$2,100 million (June 30, 2018: HK$1,807 million). This reflects the continued collaboration amongst the Company's business segments to offer a quad-play proposition for our consumer segment and total solutions for our enterprise customers.

Costs

Cost of Sales

For the six months ended HK$ million	Jun 30, 2018	Dec 31, 2018	**Jun 30, 2019**	Better/ (Worse) y-o-y
HKT	8,858	9,122	**6,950**	22%
The Group (excluding PCPD)	10,125	10,467	**8,118**	20%
Consolidated	10,152	10,490	**8,149**	20%

HKT's cost of sales for the six months ended June 30, 2019 decreased by 22% year-on-year to HK$6,950 million, reflecting the lower Mobile product sales during the period. Gross margin of HKT, therefore, improved to 54% in the first half of 2019, as compared to 48% a year earlier. Excluding Mobile product sales, gross margin of HKT was steady at 59% for the period.

Cost of sales for the core businesses decreased by 20% primarily driven by lower Mobile product sales at HKT and a lower cost of sales at Now TV following the streamlining of content costs. Gross margin for the core businesses improved to 51% in the first half of 2019, as compared to 46% a year ago.

The Group's consolidated total cost of sales for the six months ended June 30, 2019 decreased by 20% to HK$8,149 million.

General and Administrative Expenses

For the six months ended June 30, 2019, operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net, ("operating costs") increased by 2% to HK$3,423 million. There were further operating costs efficiencies across HKT although this was offset by further investments to drive growth in the Free TV and OTT businesses.

Amortization expenses increased by 2% in line with the increased investments in content for the Free TV and OTT businesses. Content related amortization for the period was HK$416 million, as compared to HK$304 million a year ago. Depreciation expenses for the period decreased by 10% to HK$1,604 million due to the reduction in the depreciation charge associated with right-of-use assets following HKT's retail shop rationalization, and ongoing periodic review of the useful lives of HKT's network assets.

As a result, general and administrative expenses decreased slightly by 1% year-on-year to HK$6,739 million for the six months ended June 30, 2019.

EBITDA[1]

Core EBITDA for the six months ended June 30, 2019 decreased by 4% to HK$5,307 million while the margin improved to 32% reflecting the lower Mobile product sales. Excluding Mobile product sales, the core EBITDA margin was steady at 35%.

Other Gains, Net

Net other gains of HK$426 million were recorded for the six months ended June 30, 2019 as compared to HK$334 million a year ago. This was mainly due to a fair value gain on network capacity access rights.

Interest Income and Finance Costs

Interest income for the six months ended June 30, 2019 was HK$40 million while finance costs increased by 4% year-on-year to HK$925 million as a result of generally higher HIBOR during the period. As a result, net finance costs increased by 8% year-on-year to HK$885 million for the six months ended June 30, 2019. The average cost of debt was 3.4% during the period, as compared to 3.2% a year ago. We will continue to closely monitor the interest rate environment to optimize the ratio of floating to fixed rate debt.

Income Tax

Income tax expense for the six months ended June 30, 2019 was HK$423 million, as compared to HK$437 million a year ago, reflecting the underlying trend in the Group's profit before tax.

Non-controlling Interests

Non-controlling interests were HK$936 million for the six months ended June 30, 2019 (June 30, 2018: HK$874 million), which primarily represented the net profit attributable to the non-controlling shareholders of HKT and PCPD.

Consolidated Profit Attributable to Equity Holders of the Company

Consolidated profit attributable to equity holders of the Company for the six months ended June 30, 2019 was HK$163 million (June 30, 2018: HK$185 million).

LIQUIDITY AND CAPITAL RESOURCES

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

The Group's gross debt[2] was HK$51,033 million as at June 30, 2019 (December 31, 2018: HK$50,240 million). Cash and short-term deposits totaled HK$3,462 million as at June 30, 2019 (December 31, 2018: HK$7,361 million).

As at June 30, 2019, the Group had a total of HK$46,768 million in committed bank loan facilities available for liquidity management and investment, of which HK$20,410 million remained undrawn. Of these committed bank loan facilities, HKT accounted for HK$31,888 million, of which HK$9,156 million remained undrawn.

The Group's gross debt[2] to total assets was 55% as at June 30, 2019 (December 31, 2018: 53%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2019, 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, 2019 was HK$2,055 million (June 30, 2018: HK$1,713 million), of which HKT accounted for about 65% (June 30, 2018: 79%). Capital expenditure at HKT was primarily incurred for critical infrastructure enhancements, network capacity expansion to support data traffic growth and preparation for 5G rollout, continued demand for fiber-to-the-home ("FTTH") services and undersea cable investments. There was a decrease in capital expenditure for the Media business mainly due to completion of the relocation and upgrading of its production studio facilities in 2018. Capital expenditure for the Solutions business increased to support the additional data center capacity in Hong Kong which is expected to be completed in the second half of 2019. There was an increase in capital expenditure at PCPD to support the Park Hyatt Niseko Hanazono and Branded Residences project.

The Group will continue to invest in building digital capabilities to enable its growth in new areas and prudently invest in building a 5G network 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, 2019, 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 impacts of these operational and financial risks to the Group are considered not material.

CHARGE ON ASSETS

As at June 30, 2019, certain assets of the Group with an aggregate carrying value of HK$9,506 million (December 31, 2018: HK$5,052 million) were pledged to secure certain bank loan facilities of the Group.

CONTINGENT LIABILITIES

HK$ million	As at Dec 31, 2018 (Audited)	**As at Jun 30, 2019 (Unaudited)**
Performance guarantees	566	**955**
Others	160	**166**
	726	**1,121**

The Group operates across several jurisdictions and is subject to certain queries from relevant tax authorities in respect of tax treatment of certain matters currently under way. As at June 30, 2019, the Group is unable to ascertain the likelihood of the outcome of these tax queries, other than those provided for. Based on the currently available information and assessment, the Directors are of the opinion that these cases will not have a significant financial impact to the Group.

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 23,400 employees as at June 30, 2019 (June 30, 2018: 23,700) located in 48 countries and cities. About 65% 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 9.18 HK cents (June 30, 2018: 8.91 HK cents) per ordinary share for the six months ended June 30, 2019 to shareholders whose names appear on the register of members of the Company on Friday, August 30, 2019, payable on or around Wednesday, October 9, 2019.

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2019

In HK$ million (except for earnings per share)	Note(s)	2018 (Unaudited)	**2019 (Unaudited)**
Revenue	2	18,974	**16,859**
Cost of sales		(10,152)	**(8,149)**
General and administrative expenses		(6,812)	**(6,739)**
Other gains, net	3	334	**426**
Interest income		71	**40**
Finance costs		(893)	**(925)**
Share of results of associates		(11)	**22**
Share of results of joint ventures		(15)	**(12)**
Profit before income tax	2, 4	1,496	**1,522**
Income tax	5	(437)	**(423)**
Profit for the period		1,059	**1,099**
Profit attributable to:			
Equity holders of the Company		185	**163**
Non-controlling interests		874	**936**
		1,059	**1,099**
Earnings per share	7		
Basic		2.40 cents	**2.11 cents**
Diluted		2.40 cents	**2.11 cents**

The notes on pages 29 to 46 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2019

In HK$ million	2018 (Unaudited)	**2019 (Unaudited)**
Profit for the period	1,059	**1,099**
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to consolidated income statement:		
Changes in the fair value of equity instruments at fair value through other comprehensive income	(57)	**13**
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
– exchange differences on translating foreign operations	(146)	**232**
Cash flow hedges:		
– effective portion of changes in fair value	75	**125**
– transfer from equity to consolidated income statement	(41)	**55**
Costs of hedging	5	**24**
Other comprehensive (loss)/income for the period	(164)	**449**
Total comprehensive income for the period	895	**1,548**
Attributable to:		
Equity holders of the Company	11	**494**
Non-controlling interests	884	**1,054**
Total comprehensive income for the period	895	**1,548**

The notes on pages 29 to 46 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at June 30, 2019

In HK$ million	Note*	The Group As at December 31, 2018 (Audited)	The Group As at **June 30, 2019 (Unaudited)**	(Additional information) The Company As at December 31, 2018 (Audited)	(Additional information) The Company As at **June 30, 2019 (Unaudited)**
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		23,900	**25,640**	–	**–**
Right-of-use assets		4,175	**3,856**	–	**–**
Investment properties		3,517	**3,635**	–	**–**
Interests in leasehold land		385	**376**	–	**–**
Properties held for/under development		3,164	**2,912**	–	**–**
Goodwill		18,192	**18,194**	–	**–**
Intangible assets		10,996	**11,328**	–	**–**
Fulfillment costs		1,369	**1,426**	–	**–**
Customer acquisition costs		807	**761**	–	**–**
Contract assets		302	**293**	–	**–**
Interests in subsidiaries		–	**–**	18,808	**18,969**
Interests in associates		778	**1,203**	–	**–**
Interests in joint ventures		530	**479**	–	**–**
Financial assets at fair value through other comprehensive income		1,102	**1,115**	–	**–**
Financial assets at fair value through profit or loss		731	**765**	–	**–**
Derivative financial instruments		152	**177**	4	**–**
Deferred income tax assets		1,194	**1,167**	–	**–**
Other non-current assets		1,243	**1,328**	–	**–**
Restricted cash		217	**–**	–	**–**
		72,754	**74,655**	18,812	**18,969**
Current assets					
Amounts due from subsidiaries		–	**–**	13,796	**16,695**
Sales proceeds held in stakeholders' accounts		507	**507**	–	**–**
Properties under development		770	**1,017**	–	**–**
Inventories		1,280	**1,488**	–	**–**
Prepayments, deposits and other current assets		3,748	**3,888**	16	**34**
Contract assets		2,690	**2,528**	–	**–**
Trade receivables, net	8	4,799	**4,620**	–	**–**
Amounts due from related companies		110	**134**	–	**–**
Derivative financial instruments		4	**37**	4	**12**
Tax recoverable		18	**18**	–	**–**
Restricted cash		186	**532**	–	**–**
Short-term deposits		604	**389**	–	**–**
Cash and cash equivalents		6,757	**3,073**	2,729	**164**
		21,473	**18,231**	16,545	**16,905**

In HK$ million	Note*	The Group As at December 31, 2018 (Audited)	**The Group As at June 30, 2019 (Unaudited)**	(Additional information) The Company As at December 31, 2018 (Audited)	**(Additional information) The Company As at June 30, 2019 (Unaudited)**
Current liabilities					
Short-term borrowings		(608)	**(1,931)**	–	**–**
Trade payables	9	(1,952)	**(2,242)**	–	**–**
Accruals and other payables		(6,681)	**(5,999)**	(11)	**(16)**
Amount payable to the Government under the Cyberport Project Agreement		(322)	**(323)**	–	**–**
Carrier licence fee liabilities		(173)	**(152)**	–	**–**
Amounts due to related companies		(1)	**(5)**	–	**–**
Advances from customers		(355)	**(355)**	–	**–**
Contract liabilities		(1,856)	**(2,039)**	–	**–**
Lease liabilities		(1,608)	**(1,534)**	–	**–**
Current income tax liabilities		(1,036)	**(1,127)**	–	**–**
		(14,592)	**(15,707)**	(11)	**(16)**
Non-current liabilities					
Long-term borrowings	10	(49,307)	**(48,734)**	–	**(729)**
Amounts due to subsidiaries		–	**–**	(3,206)	**(3,286)**
Derivative financial instruments		(263)	**(82)**	(82)	**(22)**
Deferred income tax liabilities		(3,674)	**(3,766)**	–	**–**
Defined benefit retirement schemes liability		(135)	**(134)**	–	**–**
Carrier licence fee liabilities		(357)	**(322)**	–	**–**
Contract liabilities		(1,010)	**(1,012)**	–	**–**
Lease liabilities		(2,871)	**(2,600)**	–	**–**
Other long-term liabilities		(2,409)	**(2,623)**	–	**–**
		(60,026)	**(59,273)**	(3,288)	**(4,037)**
Net assets		19,609	**17,906**	32,058	**31,821**
CAPITAL AND RESERVES					
Share capital	11	12,954	**12,954**	12,954	**12,954**
Reserves		4,141	**2,777**	19,104	**18,867**
Equity attributable to equity holders of the Company		17,095	**15,731**	32,058	**31,821**
Non-controlling interests		2,514	**2,175**	–	**–**
Total equity		19,609	**17,906**	32,058	**31,821**

* The notes referenced above pertain solely to the consolidated statement of financial position. The above Company statement of financial position as at June 30, 2019 and December 31, 2018 is presented only as additional information to this unaudited condensed consolidated interim financial information.

The notes on pages 29 to 46 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, 2019

In HK$ million	2018 (Unaudited)											
	Attributable to equity holders of the Company										Non-controlling interests	Total equity
	Share capital	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Costs of hedging reserve	Financial assets at fair value through other comprehensive income reserve	Other reserves	Retained profits	Total		
At January 1, 2018	12,954	(9)	75	(678)	201	(138)	163	(113)	6,735	19,190	2,702	21,892
Total comprehensive income/(loss) for the period												
Profit for the period	–	–	–	–	–	–	–	–	185	185	874	1,059
Other comprehensive income/(loss)												
Items that will not be reclassified subsequently to consolidated income statement:												
Changes in the fair value of equity instruments at fair value through other comprehensive income	–	–	–	–	–	–	(57)	–	–	(57)	–	(57)
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:												
Translation exchange differences:												
– exchange differences on translating foreign operations	–	–	–	(122)	–	–	–	–	–	(122)	(24)	(146)
Cash flow hedges:												
– effective portion of changes in fair value	–	–	–	–	24	–	–	–	–	24	51	75
– transfer from equity to consolidated income statement	–	–	–	–	(23)	–	–	–	–	(23)	(18)	(41)
Costs of hedging	–	–	–	–	–	4	–	–	–	4	1	5
Other comprehensive income/(loss) for the period	–	–	–	(122)	1	4	(57)	–	–	(174)	10	(164)
Total comprehensive income/(loss) for the period	–	–	–	(122)	1	4	(57)	–	185	11	884	895
Transactions with equity holders												
Purchase of shares of PCCW Limited ("PCCW Shares") under share award scheme	–	(17)	–	–	–	–	–	–	–	(17)	–	(17)
Purchase of share stapled units of HKT Trust and HKT Limited ("Share Stapled Units") under share award schemes	–	–	–	–	–	–	–	–	(15)	(15)	(5)	(20)
Employee share-based compensation	–	–	41	–	–	–	–	–	–	41	5	46
Vesting of PCCW Shares and Share Stapled Units under share award schemes	–	24	(62)	–	–	–	–	–	32	(6)	6	–
Distribution for Share Stapled Units granted under share award schemes	–	–	(2)	–	–	–	–	–	–	(2)	–	(2)
Dividend paid in respect of previous year *(note 6(b))*	–	–	(2)	–	–	–	–	–	(1,633)	(1,635)	–	(1,635)
Distribution/Dividend declared and paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,347)	(1,347)
Total contributions by and distributions to equity holders	–	7	(25)	–	–	–	–	–	(1,616)	(1,634)	(1,341)	(2,975)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	133	133
Contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	2	2
Total changes in ownership interests in subsidiaries that do not result in loss of control	–	–	–	–	–	–	–	–	–	–	135	135
Total transactions with equity holders	–	7	(25)	–	–	–	–	–	(1,616)	(1,634)	(1,206)	(2,840)
At June 30, 2018	12,954	(2)	50	(800)	202	(134)	106	(113)	5,304	17,567	2,380	19,947

In HK$ million

2019
(Unaudited)

	Attributable to equity holders of the Company										Non-controlling interests	Total equity
	Share capital	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Costs of hedging reserve	Financial assets at fair value through other comprehensive income reserve	Other reserves	Retained profits	Total		
At January 1, 2019	12,954	(2)	74	(977)	112	(111)	82	(336)	5,299	17,095	2,514	19,609
Total comprehensive income for the period												
Profit for the period	–	–	–	–	–	–	–	–	163	163	936	1,099
Other comprehensive income												
Items that will not be reclassified subsequently to consolidated income statement:												
Changes in the fair value of equity instruments at fair value through other comprehensive income	–	–	–	–	–	–	13	–	–	13	–	13
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:												
Translation exchange differences:												
– exchange differences on translating foreign operations	–	–	–	211	–	–	–	–	–	211	21	232
Cash flow hedges:												
– effective portion of changes in fair value	–	–	–	–	64	–	–	–	–	64	61	125
– transfer from equity to consolidated income statement	–	–	–	–	30	–	–	–	–	30	25	55
Costs of hedging	–	–	–	–	–	13	–	–	–	13	11	24
Other comprehensive income for the period	–	–	–	211	94	13	13	–	–	331	118	449
Total comprehensive income for the period	–	–	–	211	94	13	13	–	163	494	1,054	1,548
Transactions with equity holders												
Purchase of PCCW Shares under share award scheme	–	(26)	–	–	–	–	–	–	–	(26)	–	(26)
Purchase of Share Stapled Units under share award schemes	–	–	–	–	–	–	–	–	(28)	(28)	(11)	(39)
Employee share-based compensation	–	–	31	–	–	–	–	–	–	31	4	35
Vesting of PCCW Shares and Share Stapled Units under share award schemes	–	25	(55)	–	–	–	–	–	28	(2)	2	–
Distribution for PCCW Shares and Share Stapled Units granted under share award schemes	–	–	(5)	–	–	–	–	–	–	(5)	–	(5)
Dividend paid in respect of previous year *(note 6(b))*	–	–	–	–	–	–	–	–	(1,723)	(1,723)	–	(1,723)
Distribution/Dividend declared and paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,432)	(1,432)
Total contributions by and distributions to equity holders	–	(1)	(29)	–	–	–	–	–	(1,723)	(1,753)	(1,437)	(3,190)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	1	1
Changes in ownership interests in subsidiaries that do not result in loss of control	–	–	–	(1)	–	–	–	–	(104)	(105)	43	(62)
Total changes in ownership interests in subsidiaries that do not result in loss of control	–	–	–	(1)	–	–	–	–	(104)	(105)	44	(61)
Total transactions with equity holders	–	(1)	(29)	(1)	–	–	–	–	(1,827)	(1,858)	(1,393)	(3,251)
At June 30, 2019	12,954	(3)	45	(767)	206	(98)	95	(336)	3,635	15,731	2,175	17,906

The notes on pages 29 to 46 form an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2019

In HK$ million	2018 (Unaudited)	**2019 (Unaudited)**
Net cash generated from operating activities	2,231	**4,302**
Investing activities		
Investment in SC Digital Solutions Limited – an associate engaged in virtual banking business	–	**(403)**
Investment in a joint venture	(30)	**–**
Decrease in short-term deposits with maturity more than three months	993	**215**
Other investing activities	(2,961)	**(3,396)**
Net cash used in investing activities	(1,998)	**(3,584)**
Financing activities		
New borrowings raised, net	4,020	**7,955**
Other financing activities (including repayment of borrowings)	(7,492)	**(12,350)**
Net cash used in financing activities	(3,472)	**(4,395)**
Net decrease in cash and cash equivalents	(3,239)	**(3,677)**
Exchange differences	27	**(7)**
Cash and cash equivalents at January 1,	11,638	**6,757**
Cash and cash equivalents at June 30,	8,426	**3,073**
Analysis of the balance of cash and cash equivalents:		
Total cash and bank balances	9,234	**3,994**
Less: Short-term deposits	(636)	**(389)**
Less: Restricted cash	(172)	**(532)**
	8,426	**3,073**

The notes on pages 29 to 46 form an integral part of this unaudited condensed consolidated interim financial information.

1 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of PCCW Limited (the "Company") and its subsidiaries (collectively the "Group") has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018.

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 8, 2019.

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, 2018 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, 2018 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, 2018, with the exception of changes in estimates that are required in determining the useful lives of certain property, plant and equipment. As part of the Group's continuous accounting procedure, it is required to reassess the useful lives of the property, plant and equipment on a regular basis. Pursuant to such reassessment, the profit attributable to the equity holders of the Company for the six months ended June 30, 2019 increased by HK$61 million and the equity attributable to the equity holders of the Company as at June 30, 2019 increased by HK$61 million.

The accounting policies, basis of presentation and methods of computation used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of the following new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations ("Ints") (collectively "new or amended HKFRSs") which are effective for accounting periods beginning on or after January 1, 2019 as described below.

The following new or amended HKFRSs are mandatory for the first time for the financial year beginning January 1, 2019, but have no material effect on the Group's reported results and financial position for the current and prior accounting periods:

– HKAS 19 (2011) (Amendments), *Employee Benefits*
– HKAS 28 (2011) (Amendments), *Investments in Associates and Joint Ventures*
– HKFRS 9 (2014) (Amendments), *Financial Instruments*
– HK(IFRIC) – Int 23, *Uncertainty over Income Tax Treatments*
– Annual Improvements to HKFRSs 2015-2017 Cycle issued in February 2018 by HKICPA

The Group has not early adopted any new or amended 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, enterprise solutions, 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 and over-the-top ("OTT") digital media entertainment services in Hong Kong, the Asian Pacific region, 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 and other parts of Greater China and Asia.

- 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.

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 and amortization, gain/loss on disposal of property, plant and equipment, investment properties, interests in leasehold land, right-of-use assets 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, 2018 (Unaudited)							
	Reportable segments						Other#	Consolidated
	HKT	Media Business	Solutions Business	PCPD	Eliminations	Total		
REVENUE								
External revenue	16,549	1,143	1,118	164	–	18,974	–	18,974
Inter-segment revenue	473	742	591	1	(1,807)	–	–	–
Total revenue	17,022	1,885	1,709	165	(1,807)	18,974	–	18,974
Revenue from contracts with customers:								
Timing of revenue recognition								
At a point in time	4,359	47	185	–	(151)	4,440	–	4,440
Over time	12,634	1,838	1,524	77	(1,652)	14,421	–	14,421
Revenue from other sources:								
Rental income	29	–	–	88	(4)	113	–	113
	17,022	1,885	1,709	165	(1,807)	18,974	–	18,974
RESULTS								
EBITDA	5,639	(77)	271	(80)	(87)	5,666	(193)	5,473

2 SEGMENT INFORMATION *(CONTINUED)*

In HK$ million	For the six months ended June 30, 2019 (Unaudited)							
	Reportable segments						Other#	Consolidated
	HKT	Media Business	Solutions Business	PCPD	Eliminations	Total		
REVENUE								
External revenue	14,320	1,254	1,079	206	–	16,859	–	16,859
Inter-segment revenue	789	672	638	1	(2,100)	–	–	–
Total revenue	15,109	1,926	1,717	207	(2,100)	16,859	–	16,859
Revenue from contracts with customers:								
Timing of revenue recognition								
At a point in time	2,363	103	124	18	(383)	2,225	–	2,225
Over time	12,713	1,823	1,593	83	(1,713)	14,499	–	14,499
Revenue from other sources:								
Rental income	33	–	–	106	(4)	135	–	135
	15,109	1,926	1,717	207	(2,100)	16,859	–	16,859
RESULTS								
EBITDA	5,733	(174)	293	(20)	(312)	5,520	(233)	5,287

Other primarily comprises corporate support functions.

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

In HK$ million	Six months ended June 30, 2018 (Unaudited)	**2019 (Unaudited)**
Total segment EBITDA	5,473	**5,287**
Gain/(loss) on disposal of property, plant and equipment, net	1	**(2)**
Depreciation and amortization	(3,464)	**(3,314)**
Other gains, net	334	**426**
Interest income	71	**40**
Finance costs	(893)	**(925)**
Share of results of associates and joint ventures	(26)	**10**
Profit before income tax	1,496	**1,522**

3 OTHER GAINS, NET

In HK$ million	Six months ended June 30, 2018 (Unaudited)	**2019 (Unaudited)**
Fair value movement of derivative financial instruments	11	**(1)**
Fair value gains on financial assets at FVPL[1]	307	**8**
Dividend income from financial assets at FVOCI[2]	27	**31**
Provision for impairment of interests in joint ventures	(9)	**–**
Fair value gain on Network Capacity Access Rights *(Note a)*	–	**369**
Net gain on purchase of guaranteed notes	–	**19**
Others	(2)	**–**
	334	**426**

a. In May 2017, the Group completed the transaction to sell the entire issued share capital of Transvision Investments Limited (the "Transaction"), part of the operation of the wireless broadband and related business component in the United Kingdom (the "UK component"), to an independent third party (the "Buyer") for GBP250 million cash (equivalent to approximately HK$2,509 million) and two restricted use network capacity access instruments issued by the Buyer with a total face value of GBP50 million (equivalent to approximately HK$502 million), representing the corresponding value of capacity access on the mobile network operated by the Buyer in the United Kingdom (the "Network Capacity Access Rights").

The remaining operation of the UK component ceased in 2018. Therefore, the results, including the disposal gain on the Transaction, of the UK component was presented as discontinued operation in the consolidated income statement for the years ended December 31, 2017 and 2018.

No value had been recognized by the Group for the Network Capacity Access Rights up to December 31, 2018 due to the uncertainty of potential market condition and the range of potential values being too wide for an amount to be measured reliably. During the six-month period ended June 30, 2019, clarity on the fair value of the Network Capacity Access Rights has substantially improved. Accordingly, a fair value gain of HK$369 million has been recognized as other gains, net in the consolidated income statement.

Subsequent to the end of the reporting period, an agreement was signed in relation to the sales of half of the Network Capacity Access Rights.

1 FVPL refers to fair value through profit or loss
2 FVOCI refers to fair value through other comprehensive income

4 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK$ million	Six months ended June 30, 2018 (Unaudited)	**2019 (Unaudited)**
Cost of inventories sold	4,042	**2,132**
Cost of sales, excluding inventories sold	6,110	**6,017**
Depreciation of property, plant and equipment	820	**649**
Depreciation of right-of-use assets	964	**955**
Amortization of intangible assets	947	**992**
Amortization of fulfillment costs	223	**222**
Amortization of customer acquisition costs	502	**487**
Amortization of land lease premium – interests in leasehold land	8	**9**
Impairment loss for trade receivables	140	**176**
Finance costs on borrowings	790	**852**

5 INCOME TAX

In HK$ million	Six months ended June 30, 2018 (Unaudited)	**2019 (Unaudited)**
Current income tax:		
Hong Kong profits tax	292	**278**
Overseas tax	14	**26**
Movement of deferred income tax	131	**119**
	437	**423**

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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. Dividends attributable to the interim period

In HK$ million	Six months ended June 30, 2018 (Unaudited)	Six months ended June 30, 2019 (Unaudited)
Interim dividend declared after the end of the interim period of 9.18 HK cents (2018: 8.91 HK cents) per ordinary share	688	**709**

At a meeting held on August 8, 2019, the directors declared an interim dividend of 9.18 HK cents per ordinary share for the year ending December 31, 2019. 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, 2018 (Unaudited)	Six months ended June 30, 2019 (Unaudited)
Final dividend declared in respect of the previous financial year, approved and paid during the interim period of 22.33 HK cents (2018: 21.18 HK cents) per ordinary share	1,635	**1,724**
Less: dividend for PCCW Shares held by share award schemes	(2)	**(1)**
	1,633	**1,723**

7 EARNINGS PER SHARE

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

	Six months ended June 30, 2018 (Unaudited)	Six months ended June 30, 2019 (Unaudited)
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per share	185	**163**
Number of shares		
Weighted average number of ordinary shares	7,719,638,249	**7,719,638,249**
Effect of PCCW Shares held under the Company's share award schemes	(10,088,884)	**(5,978,139)**
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,709,549,365	**7,713,660,110**
Effect of PCCW Shares awarded under the Company's share award schemes	6,836,525	**7,370,797**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,716,385,890	**7,721,030,907**

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, 2018 (Audited)	As at **June 30, 2019 (Unaudited)**
1 – 30 days	3,422	**3,235**
31 – 60 days	526	**392**
61 – 90 days	202	**274**
91 – 120 days	162	**231**
Over 120 days	699	**756**
	5,011	**4,888**
Less: loss allowance	(212)	**(268)**
Trade receivables, net	4,799	**4,620**

Included in trade receivables, net were amounts due from related parties of HK$66 million and HK$56 million as at June 30, 2019 and December 31, 2018 respectively.

The Group's normal credit period for customers is 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 balances 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, 2018 (Audited)	As at **June 30, 2019 (Unaudited)**
1 – 30 days	1,287	**1,408**
31 – 60 days	140	**179**
61 – 90 days	59	**92**
91 – 120 days	28	**91**
Over 120 days	438	**472**
	1,952	**2,242**

Included in trade payables were amounts due to related parties of HK$35 million and HK$32 million as at June 30, 2019 and December 31, 2018 respectively.

10 LONG-TERM BORROWINGS

On March 8, 2019, the Group purchased US$70 million 4.75% guaranteed notes due 2022, which was issued by PCPD Capital Limited (an indirect non-wholly owned subsidiary of the Company), for a consideration of approximately US$67 million (approximately HK$528 million). The carrying amount of the guaranteed notes at the time of purchase was HK$547 million, resulting in a net gain on purchase of HK$19 million recognized in other gains, net in the consolidated income statement.

11 SHARE CAPITAL

	Six months ended June 30,			
	2018		**2019**	
	Number of shares (Unaudited)	Share capital (Unaudited) HK$ million	**Number of shares (Unaudited)**	**Share capital (Unaudited) HK$ million**
Ordinary shares of no par value, issued and fully paid:				
As at January 1, and June 30,	7,719,638,249	12,954	**7,719,638,249**	**12,954**

a. The Company had total distributable reserves of HK$18,865 million as at June 30, 2019 (December 31, 2018: HK$19,104 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 participating companies during the six months ended June 30, 2019.

A summary of movements in the number of PCCW Shares and 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, 2018	
	Number of PCCW Shares (Unaudited)	Number of Share Stapled Units (Unaudited)
As at January 1, 2018	12,480,566	1,642,773
Purchase from the market by the trustee at weighted average market price of HK$4.63 per PCCW Share/HK$9.91 per Share Stapled Unit	3,634,000	2,027,000
PCCW Shares/Share Stapled Units vested	(9,271,669)	(3,476,824)
As at June 30, 2018	6,842,897	192,949

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

	Six months ended June 30, 2019	
	Number of PCCW Shares (Unaudited)	**Number of Share Stapled Units (Unaudited)**
As at January 1, 2019	**6,837,259**	**189,377**
Purchase from the market by the trustee at weighted average market price of HK$4.73 per PCCW Share/HK$12.24 per Share Stapled Unit	**5,551,000**	**3,219,000**
PCCW Shares/Share Stapled Units vested	**(9,207,228)**	**(3,139,980)**
As at June 30, 2019	**3,181,031**	**268,397**

The weighted average fair values of the PCCW Shares and the Share Stapled Units awarded during the six months ended June 30, 2019 at the dates of award are HK$4.73 (2018: HK$4.64) per PCCW Share and HK$12.38 (2018: HK$9.96) per Share Stapled Unit respectively, which are measured by the respective quoted market prices of the PCCW Shares and the Share Stapled Units at the respective award dates.

13 COMMITMENTS

a. Capital

In HK$ million	As at December 31, 2018 (Audited)	As at **June 30, 2019 (Unaudited)**
Authorized and contracted for	3,044	**3,196**

Included in the capital commitments were commitments of HK$1,930 million and HK$2,091 million for the purchase of property, plant and equipment as at June 30, 2019 and December 31, 2018 respectively.

Additions of property, plant and equipment were HK$2,055 million and HK$1,713 million for the six months ended June 30, 2019 and 2018 respectively.

b. Others

In HK$ million	As at December 31, 2018 (Audited)	As at **June 30, 2019 (Unaudited)**
Purchase of rights to broadcast certain TV content	3,347	**3,175**
Operating expenditure commitments	3,514	**3,300**
	6,861	**6,475**

14 CONTINGENT LIABILITIES

In HK$ million	As at December 31, 2018 (Audited)	As at **June 30, 2019 (Unaudited)**
Performance guarantees	566	**955**
Others	160	**166**
	726	**1,121**

The Group operates across several jurisdictions and is subject to certain queries from relevant tax authorities in respect of tax treatment of certain matters currently under way. As at June 30, 2019, the Group is unable to ascertain the likelihood of the outcome of these tax queries, other than those provided for. Based on the currently available information and assessment, the directors are of the opinion that these cases will not have a significant financial impact to the Group.

The Group is subject to certain corporate guarantee obligations to guarantee the 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

Securities pledged for certain bank loan facilities includes:

In HK$ million	As at December 31, 2018 (Audited)	As at **June 30, 2019 (Unaudited)**
Property, plant and equipment	923	**1,435**
Investment properties	–	**3,635**
Property held for development	2,172	**2,173**
Financial assets at FVOCI	963	**975**
Property under development	770	**945**
Restricted cash	221	**336**
Cash and cash equivalents	3	**7**
	5,052	**9,506**

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, 2018 (Unaudited)	**2019 (Unaudited)**
Telecommunications service fees, facility management service charges and interest income received or receivable from joint ventures	a	23	**23**
Consultancy service charges and interest income received or receivable from an associate	a	8	**–**
Telecommunications service fees, system integration service fees and data center hosting service fees received or receivable from a substantial shareholder	a	102	**54**
Telecommunications service fees, equipment purchase costs, outsourcing fees and rental charges paid or payable to joint ventures	a	162	**161**
Telecommunications service fees and facility management service charges paid or payable to a substantial shareholder	a	56	**52**
Telecommunications service fees paid or payable to an associate	a	6	**–**
Telecommunications service fees, connectivity service fees, equipment sales, insurance premium and rental income received or receivable from related parties under a common shareholder with the Company	a	–	**38**
Insurance premium paid or payable to related parties under a common shareholder with the Company	a	–	**3**
Purchase of guaranteed notes from a related company	a	–	**528**
Key management compensation	b	54	**52**

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

b. Details of key management compensation

In HK$ million	Six months ended June 30, 2018 (Unaudited)	**2019 (Unaudited)**
Salaries and other short-term employee benefits	40	**40**
Share-based compensation	12	**10**
Post-employment benefits	2	**2**
	54	**52**

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, 2018. There have been no material changes in the financial management policies and practices since December 31, 2018.

b. Estimation of fair values

Financial instruments carried at fair value are analyzed by valuation method and the different levels have been defined as follows:

– Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for the financial assets held by the Group is the current bid price. These instruments are included in level 1.

– Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

– Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The following table presents the Group's financial assets and liabilities that are measured at fair value as at December 31, 2018:

In HK$ million	As at December 31, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI (non-current)				
– Listed securities	1,025	–	–	1,025
– Unlisted securities	–	–	77	77
Financial assets at FVPL (non-current)				
– Listed securities	9	–	–	9
– Unlisted securities	–	–	722	722
Derivative financial instruments (non-current)	–	152	–	152
Derivative financial instruments (current)	–	4	–	4
Total assets	1,034	156	799	1,989
Liabilities				
Contingent consideration payable	–	–	(50)	(50)
Derivative financial instruments (non-current)	–	(234)	(29)	(263)
Total liabilities	–	(234)	(79)	(313)

17 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Estimation of fair values *(continued)*

The following table presents the Group's financial assets and liabilities that are measured at fair value as at June 30, 2019:

In HK$ million	As at June 30, 2019 (Unaudited)			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at FVOCI (non-current)				
– Listed securities	**1,038**	**–**	**–**	**1,038**
– Unlisted securities	**–**	**–**	**77**	**77**
Financial assets at FVPL (non-current)				
– Unlisted securities	**–**	**–**	**765**	**765**
Derivative financial instruments (non-current)	**–**	**177**	**–**	**177**
Derivative financial instruments (current)	**–**	**37**	**–**	**37**
Total assets	**1,038**	**214**	**842**	**2,094**
Liabilities				
Contingent consideration payable	**–**	**–**	**(50)**	**(50)**
Derivative financial instruments (non-current)	**–**	**(56)**	**(26)**	**(82)**
Total liabilities	**–**	**(56)**	**(76)**	**(132)**

Instruments included in level 1 comprise primarily equity investments listed on Euronext Amsterdam classified as financial assets at FVOCI.

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.

Instruments included in level 3 comprise unlisted equity investments in several companies and investments in debt instruments classified as financial assets at FVOCI or financial assets at FVPL, liabilities of contingent considerations for acquisition of subsidiaries classified as accruals and other payables or other long-term liabilities, and the OTT Preference Shares Option and the OTT Preference Shares Derivative (as defined in note 39(a) of the annual consolidated financial statements for the year ended December 31, 2018) classified as derivative financial instruments.

17 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Estimation of fair values *(continued)*

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 the 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 the same notional amounts adjusted for maturity differences.

– The fair value of the OTT Preference Shares Derivative is determined using the with and without method, which includes key inputs of the underlying preference share price, a marketability discount and the probability of certain liquidity events.

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.

The key assumptions adopted in the valuation models include market multiples and discount rates which are based on historical patterns and industry trends of comparable companies. The fair values of these level 3 instruments 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 level 3 instruments are:

i. OTT Preference Shares Derivative

– Underlying OTT Preference Share (as defined in note 39(a) of the annual consolidated financial statements for the year ended December 31, 2018) price: US$10.0 (December 31, 2018: US$10.0)
– Liquidity discount: 20.0% (December 31, 2018: 22.0%)

ii. Other unlisted investments

– Market multiples (based on price earnings multiples, enterprise value/earnings before interest and tax multiples, or enterprise value/revenue multiples of comparable companies): 1 – 35 (December 31, 2018: 3 – 20)
– Liquidity discount: 13% – 30% (December 31, 2018: 15% – 30%)

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the six months ended June 30, 2019.

There were no material changes in valuation techniques during the six months ended June 30, 2019.

17 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Estimation of fair values *(continued)*

The following tables present the changes in level 3 assets/(liabilities) during the six months ended June 30, 2018 and 2019:

In HK$ million	2018 (Unaudited)			
	Financial assets at FVOCI – unlisted securities	Financial assets at FVPL – unlisted securities	Derivative financial instruments – OTT Preference Shares Option and OTT Preference Shares Derivative	Contingent consideration payable
At January 1,	77	811	(44)	(22)
Additions	–	75	–	–
Disposals	–	(63)	–	–
Settlement	–	–	–	18
Fair value gain recognized in other gains, net	–	269	12	–
At June 30,	77	1,092	(32)	(4)

In HK$ million	**2019 (Unaudited)**			
	Financial assets at FVOCI – unlisted securities	**Financial assets at FVPL – unlisted securities**	**Derivative financial instruments – OTT Preference Shares Derivative**	**Contingent consideration payable**
At January 1,	**77**	**722**	**(29)**	**(50)**
Additions	**–**	**47**	**–**	**–**
Fair value (loss)/gain recognized in other gains, net	**–**	**(4)**	**3**	**–**
At June 30,	**77**	**765**	**(26)**	**(50)**

17 FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Group's valuation process

The Group performs and monitors the valuations of financial assets required for financial reporting purposes, including level 3 fair values. Material movements in valuations are reported to senior management immediately. Valuation results are reviewed by senior management at least on a semi-annual basis.

The main level 3 input used by the Group pertains to the use of recent arm's length transactions, reference to portfolio statements, 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 instruments measured at amortized cost

All financial instruments were carried at amounts not materially different from their fair values as at December 31, 2018 and June 30, 2019 except as follows:

In HK$ million	As at			
	December 31, 2018 (Audited)		**June 30, 2019 (Unaudited)**	
	Carrying amount	Fair value	**Carrying amount**	**Fair value**
Long-term borrowings	49,307	48,982	**48,734**	**49,381**

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.

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, 2019, the directors and chief executives of the Company and their respective close associates had the following interests or 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:

Name of Director/Chief Executive	Number of ordinary Shares held Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of Shares 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	800,000	–	–	2,113,737 *(Note 2)*	2,913,737	0.04%
Hui Hon Hing, Susanna	6,345,555	–	–	1,373,579 *(Note 2)*	7,719,134	0.10%
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%

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.

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

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:

	Number of Share Stapled Units held					
Name of Director/Chief Executive	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of Share Stapled Units in issue
Li Tzar Kai, Richard	–	–	66,247,614 *(Note 1(a))*	158,764,423 *(Note 1(b))*	225,012,037	2.97%
Srinivas Bangalore Gangaiah	50,000	–	–	–	50,000	0.0007%
Hui Hon Hing, Susanna	3,484,532	–	–	561,589 *(Note 2)*	4,046,121	0.05%
Lee Chi Hong, Robert	50,924 *(Note 3(a))*	25 *(Note 3(b))*	–	–	50,949	0.0007%
Tse Sze Wing, Edmund	–	246,028 *(Note 4)*	–	–	246,028	0.003%

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 145,604,804 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 145,604,804 Share Stapled Units held by PCRD.

2. 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**".

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

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

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

B. 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
Lee Chi Hong, Robert	2,250,000 *(Note 1)*	–	–	–	2,250,000
Frances Waikwun Wong	–	–	–	500,000 *(Note 2)*	500,000

Notes:

1. These 2022 Bonds were held jointly by Lee Chi Hong, Robert and his spouse.
2. These 2022 Bonds were held by Frances Waikwun Wong in the capacity as founder of a discretionary trust.

Save as disclosed in the foregoing, as at June 30, 2019, 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, 2019.

B. Share Award Schemes

The Company adopted two share incentive award schemes, namely the Purchase Scheme and the Subscription Scheme (collectively the "PCCW Share Award Schemes") 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 prior to the vesting of the awards under the relevant scheme to selected participants, the relevant Shares/Share Stapled Units will be held in trust by the trustee for such selected participants, and will be vested over a period of time as determined by the Board, any committee or sub-committee of the Board and/or any person delegated with the power and authority to administer all or any aspects of the respective PCCW Share Award Schemes (the "Approving Body"), provided that each selected participant shall remain at all times up to and including the relevant vesting date (or, as the case may be, each relevant vesting date) an employee or director of the Company or the relevant participating company, and satisfies any other conditions specified at the time the award is made, notwithstanding that the Approving Body shall be at liberty to waive such conditions. Other than satisfying the vesting conditions, selected participants are not required to provide any consideration in order to acquire the Shares/Share Stapled Units awarded to him/her under the schemes.

The PCCW Share Award Schemes expired on November 15, 2012, and new scheme rules were adopted on the same date 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, 2019, an aggregate of 4,129,705 Shares and 762,953 Share Stapled Units were awarded pursuant to the Purchase Scheme subject to certain vesting conditions, including awards in respect of 1,389,938 Shares made to BG Srinivas, and 953,920 Shares and 136,127 Share Stapled Units made to Hui Hon Hing, Susanna (both of them are directors of the Company). Additionally, 3,595 Shares have lapsed and/or been forfeited and 5,497,040 Shares have vested; and 22,882 Share Stapled Units have lapsed and/or been forfeited and 1,311,657 Share Stapled Units have vested during the period. As at June 30, 2019, 6,290,102 Shares and 1,355,557 Share Stapled Units awarded pursuant to the Purchase Scheme remained unvested.

In respect of the Subscription Scheme, during the six months ended June 30, 2019, an aggregate of 3,999,795 Shares were awarded pursuant to the Subscription Scheme subject to certain vesting conditions. Additionally, 130,820 Shares have lapsed and/or been forfeited and 3,710,188 Shares have vested during the period. As at June 30, 2019, 5,854,844 Shares awarded pursuant to the Subscription Scheme remained unvested. During the six months ended June 30, 2019, 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, 2019 and June 30, 2019, no Share Stapled Units awarded pursuant to the Subscription Scheme remained unvested.

Please also refer to the summary of movements in the number of Shares and Share Stapled Units held under the above schemes which is set out in note 12 to the unaudited condensed consolidated interim financial information.

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, 2019.

B. Share Stapled Units Award Schemes

On October 11, 2011, HKT 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 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 participants.

Subject to the relevant scheme rules, each scheme provides that prior to the vesting of the awards under the relevant scheme to selected participants, the relevant Share Stapled Units will be held in trust by the trustee for such selected participants, and will be vested over a period of time as determined by the HKT Board, any committee or sub-committee of the HKT Board and/or any person delegated with the power and authority to administer all or any aspects of the respective HKT Share Stapled Units Award Schemes (the "HKT Approving Body"), provided that each selected participant shall remain at all times up to and including the relevant vesting date (or, as the case may be, each relevant vesting date) an employee or director of the HKT Limited Group, and satisfies any other conditions specified at the time the award is made, notwithstanding that the HKT Approving Body shall be at liberty to waive such conditions. Other than satisfying the vesting conditions, selected participants are not required to provide any consideration in order to acquire the Share Stapled Units awarded to him/her under the schemes.

In respect of the HKT Share Stapled Units Purchase Scheme, during the six months ended June 30, 2019, an aggregate of 417,685 Share Stapled Units were awarded pursuant to the HKT Share Stapled Units Purchase Scheme subject to certain vesting conditions, including an award in respect of 231,121 Share Stapled Units made to Hui Hon Hing, Susanna (a director of the Company). Additionally, 28,554 Share Stapled Units have lapsed and/or been forfeited and 1,828,323 Share Stapled Units have vested during the period. As at June 30, 2019, an aggregate of 1,468,272 Share Stapled Units awarded pursuant to the HKT Share Stapled Units Purchase Scheme remained unvested.

In respect of the HKT Share Stapled Units Subscription Scheme, during the six months ended June 30, 2019, an aggregate of 1,137,199 Share Stapled Units were awarded pursuant to the HKT Share Stapled Units Subscription Scheme subject to certain vesting conditions and compliance with the applicable requirements of the Listing Rules. Additionally, 7,990 Share Stapled Units have lapsed and/or been forfeited and no Share Stapled Units have vested during the period. As at June 30, 2019, an aggregate of 1,129,209 Share Stapled Units awarded pursuant to the HKT Share Stapled Units Subscription Scheme remained unvested.

Please also refer to the summary of movements in the number of Share Stapled Units held under the above schemes which is set out in note 12 to the unaudited condensed consolidated interim financial information.

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

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, 2019.

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, 2019, the following persons (other than directors or chief executives of the Company) were substantial shareholders of the Company 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
Long Positions			
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%
China United Network Communications Group Company Limited ("Unicom")	*5*	1,424,935,885	18.46%
BlackRock, Inc.	*6*	461,486,790	5.98%

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.

6. These long positions represented interests of controlled corporations which included derivative interests in 1,533,000 underlying Shares derived from unlisted and cash settled equity derivatives. The interests were disclosed based on the disclosure of interest filing made by BlackRock, Inc. on March 1, 2019.

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

As at June 30, 2019, the following person (other than directors or chief executives or substantial shareholders (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
Long Positions			
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 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, 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2019, 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, 2019. 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 as set out in Appendix 10 to the Listing Rules.

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 period.

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 its 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 in each case as set out in Appendix 14 to the Listing Rules during the six months ended June 30, 2019.

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 2019 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:
Tse Sze Wing, Edmund, GBS
Li Fushen *(Deputy Chairman)*
Shao Guanglu
Zhu Kebing
Wei Zhe, David

Independent Non-Executive Directors:
Aman Mehta
Frances Waikwun Wong
Bryce Wayne Lee
Lars Eric Nils Rodert
David Christopher Chance
David Lawrence Herzog

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 2019

This Interim Report 2019 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 2019 using electronic means through the website of the Company may request a printed copy, or
B) received the Interim Report 2019 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 2019) using electronic means through the Company's website and who, for any reason, have difficulty in receiving or gaining access to the Interim Report 2019 will promptly, upon request in writing or by email to the Company's Share Registrar, be sent the Interim Report 2019 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.

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

SHARE 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, 2019:	7,719,638,249 shares

DIVIDEND

Interim dividend per ordinary share for the six months ended June 30, 2019:	9.18 HK cents

FINANCIAL CALENDAR

Announcement of 2019 Interim Results	August 8, 2019
Closure of register of members	August 29-30, 2019 (both days inclusive)
Record date for 2019 interim dividend	August 30, 2019
Payment of 2019 interim dividend	On or around October 9, 2019

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;
- our exposure to interest rate risk; and
- possible negative market disruption to our performance and businesses resulting from macro-economic and geopolitical uncertainties and other risks and factors beyond our control.

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).

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