Interim Report 2020

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. It 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 22,800 staff, PCCW maintains a presence in Hong Kong, mainland China as well as other parts of the world.

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

STATEMENT FROM THE CHAIRMAN

I am pleased to report that PCCW recorded a steady performance for the six months ended June 30, 2020.

As the world experienced severe disruptions to social and economic activities due to COVID-19, our business continuity measures enabled the Group to maintain effective operations and continue to deliver reliable services to customers in Hong Kong and in the region.

In the media segment, while global sporting events were suspended during the first half, Now TV recorded increases in viewership of its entertainment and news content. Free TV service ViuTV, which rolled out some well received dramas, also enjoyed higher TV ratings as more people stayed home. Our OTT video streaming service Viu continued to maintain a leading position in the region with premium original and acquired contents.

PCCW Solutions achieved steady business performance and more success in its regional expansion, establishing stronger capabilities in the Southeast Asian markets to assist the digital transformation of its customers.

HKT launched its 5G mobile network and services on April 1 as planned, and is working to extend its network to provide comprehensive coverage across Hong Kong for a truly differentiated mobile user experience.

Pacific Century Premium Developments (PCPD) recorded a stable first-half performance of its premium office building in Jakarta, Indonesia. Faced with different levels of challenges in the operations and planning for its projects in Asia, PCPD is working diligently to minimize COVID-19's impact on its business performance.

The pandemic continues to pose major challenges and uncertainties on people's livelihood and business prospects in the near future. As a leading corporate citizen of Hong Kong, PCCW is resolved to utilizing our expertise in technology and communications to assist the public and businesses during these difficult times. We will maintain our market leadership positions whilst cautiously proceeding with our business expansion and development plans that are in the best interest of our shareholders.

Richard Li
Chairman
August 6, 2020

STATEMENT FROM THE GROUP MANAGING DIRECTOR

As we enter the second half, governments and businesses around the world are still struggling to combat the COVID-19 pandemic, which has claimed many lives and caused widespread disruptions to economies. As a company headquartered in Hong Kong, we are actively expanding our business regionally and introducing new services and products. At the same time, we have in place effective business continuity plans and we do ensure that employees' health and well-being is in focus at all times, and more so during the present crisis.

I am pleased to report that, while some of our businesses have been impacted in varying degrees by the pandemic, our core operations on the whole have been uninterrupted and that we have been able to continue to serve our customers well. We have continued to innovate service offerings and establish new modes of operations, which has contributed to a steady performance for the Group in the first half of 2020.

Stay home, stay entertained

Now TV business continued to demonstrate resilience in the first half notwithstanding the suspension of international sports events and live broadcast, as well as reduced sales activities due to COVID-19. Contributing to the efforts to encourage people to stay home, Now TV offered in April complimentary viewing of a selection of content including news, movies, and drama series to all Hong Kong people via the Now E OTT platform. Now TV customers also enjoyed additional channels and on-demand content for free for a period of time. As a result, Now TV recorded double-digit growth in viewership in the first half, with notable increases in stickiness in particular for news and entertainment such as dramas.

Local free TV service ViuTV also registered significant growth in viewership in the first six months. TV rating during the prime time viewing slot more than doubled compared with a year ago. Apart from the COVID-19 effect, the increase also reflected the quality of ViuTV's self-produced scripted and non-scripted content, which achieved increasing popularity and recognition. The expanded viewership was able to attract more advertisers contributing to an increase in advertising revenue during the period.

Viu, our leading regional video streaming service, continues to meet today's audience needs by delivering premium content from Korea, Japan, Thailand, mainland China, and the Middle East, as well as Viu Original's local productions across the region, to viewers across greater Southeast Asia and the Middle East. Based on consumer insights from data analytics, Viu Originals are developed to be not only locally relevant, but also having a cross-market impact to engage more audiences. At the end of June 30, Viu's monthly active users (MAUs) in its 16 markets reached 36.1 million, 21 per cent higher than the comparable figure a year ago, while video views in the first six months grew 23 per cent to 3.2 billion, both driving significant revenue growth of Viu.

Stronger regional presence for PCCW Solutions

The Group's IT flagship, PCCW Solutions, recorded steady business performance and maintained resilient operations in the first half despite the COVID-19 disruption. Our strategy has been to focus on IP (intellectual property) creation to accelerate growth and drive enterprise digital transformation with industry-specific solutions.

PCCW Solutions maintains its market leading position as the No. 1 IT services provider in Hong Kong by revenue in 2019, while progressively expanding its clientele across Southeast Asia. In April, PCCW Solutions announced its strategic outsourcing partnership with StarHub in Singapore. PCCW Solutions will leverage its extensive telecom and IT expertise to operate StarHub's IT applications and infrastructure, adopting agile and digital technologies to accelerate the latter's transformation. A new near-shore delivery center has also been set up in Kuala Lumpur, Malaysia dedicated to serving customers in telecom, financial services, transportation and other sectors across the region.

PCCW Solutions has achieved a high utilization rate across all its data center facilities in Hong Kong and mainland China. Phase one of the new data center in Fo Tan, the New Territories, has been fully committed and we are on track to complete phase two construction by the end of 2020. We are also planning further expansion of capacity in Hong Kong as well as evaluating data center options in Southeast Asia to fulfill customers' needs, focusing especially on the growing demand from major cloud providers and global financial institutions.

HKT

The need for online study and remote office underscores the importance of a resilient, high-quality fiber network. HKT recorded a surge in connectivity and bandwidth demand from both households and business customers in the first half, reflecting our leading position in the market.

On April 1, HKT became the first local mobile operator in Hong Kong to launch a true 5G network with differentiated services. HKT's network is backed by our substantial holding of 5G spectrum across all bands and our fiber backhaul infrastructure. With an encouraging customer uptake in the first several months of rollout, HKT is working to extend the 5G network to provide comprehensive coverage across Hong Kong.

HKT also believes 5G will create new business opportunities as it is a super enabler of technologies such as Internet of Things (IoT), Augmented Reality (AR), cloud computing, Artificial Intelligence (AI), and robotics. The adoption of these technologies, particularly in sectors such as medical, property, construction, transport, logistics, and retail, will generate additional growth momentum in the 5G arena.

HKT continued to build a digital ecosystem integrating its loyalty program, e-commerce, travel, insurance, FinTech and HealthTech services. A telemedicine platform, DrGo, was launched in July. The app-based platform connects users in Hong Kong with doctors who provide medical consultation and advice via video consultation.

Property development and investment

We are pleased to report that Pacific Century Premium Developments' premium office building in Indonesia, Pacific Century Place, Jakarta maintained a stable performance during the period under review.

However, as hospitality is one of the hardest hit sectors amid COVID-19 because of lockdowns and travel restrictions, the occupancy rate of PCPD's hotel in Hokkaido, the Park Hyatt Niseko Hanazono Hotel, has remained low since February. In Thailand, the pandemic slowed down the construction and sales and marketing activities of the Aquella luxury development project at Phang-nga.

Outlook

Although COVID-19 has persisted into the second half, the gradual return of world-class sports leagues and tournaments will improve subscriptions and advertising revenues for Now TV. ViuTV will continue to produce quality programming to sustain a stable growth of local viewership. Regionally, Viu strives to increase market penetration and engagement through its successful content strategy and partnership with Telco partners in different markets.

PCCW Solutions will focus on driving IP-based solutions adoption and providing end-to-end outsourcing and managed services to assist large enterprises and public sector organizations to accelerate digital transformation and achieve cost efficiency and business agility.

HKT will actively drive 5G adoption by consumers and enterprises, while developing new revenue streams in digital and smart lifestyle services to complement its core telecommunications business.

As the COVID-19 situation remains severe in many countries, and Hong Kong also saw a raft of new cases recently, the battle seems to be far from being over. Following a serious contraction in the first half, Hong Kong's economy is faced with new uncertainties due to sanctions taken by the United States administration.

At PCCW, I am confident that our resilient, diversified business portfolio and prudent financial and risk management will enable us to withstand these challenges. As always, we shall remain vigilant to changes in the external environment and make timely and appropriate responses as and when necessary.

BG Srinivas
Group Managing Director
August 6, 2020

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard
Chairman

Mr. Li, aged 53, 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 59, 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 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 55, 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 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 21 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 69, was appointed an Executive Director of PCCW in September 2002. He is a member of PCCW's Executive Committee and holds directorships in PCCW group companies, including Pacific Century Premium Developments Limited (PCPD). He is the Non-Executive Chairman and a Non-Executive Director of PCPD.

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 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 82, 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 57, 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.

MAI Yanzhou

Non-Executive Director

Mr. Mai, aged 50, became a Non-Executive Director of PCCW in March 2020 and is a member of the Remuneration Committee of the Board.

Mr. Mai is a Vice President of China United Network Communications Group Company Limited (Unicom), Senior Vice President of China United Network Communications Limited, Senior Vice President of China Unicom (Hong Kong) Limited, and a Director and Senior Vice President of China United Network Communications Corporation Limited. In addition, Mr. Mai serves as a Non-Executive Director of China Tower Corporation Limited and China Communications Services Corporation Limited.

Mr. Mai was Deputy General Manager of Guangdong Branch of China Network Communications Group Corporation, and Deputy General Manager of Guangdong Branch, General Manager of Fujian Branch and General Manager of Liaoning Branch of Unicom. Mr. Mai served as a deputy to the 12th National People's Congress.

Mr. Mai is a professor level senior engineer, graduated from Zhengzhou University in 1991 and received a master's degree in Electronics and Information Engineering from Beijing University of Posts and Telecommunications in 2002. Mr. Mai has extensive experience in management and telecommunications industry.

ZHU Kebing

Non-Executive Director

Mr. Zhu, aged 45, 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 49, 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, The Hongkong and Shanghai Banking Corporation Limited and Zhong Ao Home Group Limited; a director of 500.com Limited, Shanghai M&G Stationery Inc., Informa PLC and UBM plc; 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 currently serves as an executive director of Zall Smart Commerce Group Ltd.; a non-executive director of JNBY Design Limited; a director of Hitevision Co., Ltd. and BlueCity Holdings Limited; and an independent director of Leju Holdings Limited, OneSmart International Education Group Limited and Fangdd Network Group Ltd.

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 73, 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.

Mr. Mehta 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 and Tata Steel 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, Tata Consultancy Services Limited and Vedanta 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 58, 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 55, 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 59, 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 director of ÖstVäst Capital Management. He is a director of Brookfield Property Partners L.P.'s General Partner and Brookfield Property REIT Inc., and was 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 63, 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 60, 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 was part of the team that 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. 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, Fellow in the Life Office Management Association and Fellow of the National Association of Corporate Directors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

- Consolidated revenue increased by 8% to HK$18,281 million
  - Excluding Mobile product sales, consolidated revenue up 12% to HK$17,311 million
- Consolidated EBITDA increased by 2% to HK$5,416 million

- HKT total revenue excluding Mobile product sales stable at HK$13,636 million
- Media business revenue stable at HK$1,902 million
  - Now TV revenue down 6% to HK$1,270 million
  - OTT revenue up 14% to HK$502 million; and
  - Free TV revenue up 2% to HK$130 million
- Solutions business revenue increased by 11% to HK$1,907 million
- PCPD revenue jumped to HK$1,602 million

- Consolidated loss attributable to equity holders of the Company for the period was HK$584 million. Excluding other gains/losses, net, it was HK$547 million, compared to HK$263 million as reported in the same period last year

- Interim cash dividend of 9.18 HK cents per Share

- Declaration of special interim dividend by way of a distribution in specie of shares in Pacific Century Premium Developments Limited

MANAGEMENT REVIEW

PCCW recorded a steady performance for the six months ended June 30, 2020, amid severe disruptions to social and economic activities due to COVID-19. Our business continuity measures enabled the Group to maintain effective operations and continue to deliver reliable services to customers in Hong Kong and in the region.

Despite a material decline in roaming revenue because of travel restrictions, HKT Limited's ("HKT") total revenue excluding Mobile product sales held steady at HK$13,636 million due to the scale and resilience of the Telecommunications Services ("TSS") segment. HKT's total revenue decreased by 3% to HK$14,606 million, reflecting softer Mobile product sales due to the subdued consumer sentiment. Total EBITDA of HKT decreased by 3% to HK$5,546 million with margin held stable.

Despite the challenging conditions, revenue from the Media business was stable at HK$1,902 million, reflecting the benefits of the diversified platforms. Revenue at Now TV decreased by 6% to HK$1,270 million, primarily due to the suspension of major sporting events around the world and reduced sales activity, but this was offset by continued growth in our Free TV and over-the-top ("OTT") businesses which recorded revenue expansions of 2% and 14% respectively from a year ago. Free TV viewership and advertising revenue continued to increase, while the OTT business improved engagement and monetization of its growing user base.

EBITDA from Now TV dropped slightly by 3% to HK$198 million with an enhanced margin year-on-year driven by streamlining of content costs and stringent cost controls. Meanwhile, the Free TV and OTT businesses narrowed their EBITDA losses by 34% and 66% respectively from a year ago. As a result, the Media business demonstrated significant improvement generating a positive EBITDA overall.

Revenue from the Solutions business increased by 11% to HK$1,907 million driven by significant project wins in Southeast Asia and strong data center demand. However, the Solutions business EBITDA suffered a setback and dropped to HK$225 million as government lockdowns led to a halt in the delivery of projects, low staff utilization rate and certain bad debts.

Note: Media business includes the Group's Now TV, OTT and Free TV businesses.

PCPD recorded a jump in revenue to HK$1,602 million as the first half saw the completion and handover of the Park Hyatt Niseko Hanazono Residences ("Branded Residences"), the opening of Park Hyatt Niseko, Hanazono as well as an increase in gross rental income from Pacific Century Place, Jakarta ("PCP Jakarta"). PCPD recorded positive EBITDA of HK$20 million during the period.

On a consolidated basis, revenue excluding Mobile product sales increased by 12% to HK$17,311 million and total EBITDA increased by 2% to HK$5,416 million.

Consolidated loss attributable to equity holders of the Company for the period was HK$584 million as a result of increased investments and financing costs to support the growth of the Free TV and OTT businesses, as well as the recognition of expenses associated with the Park Hyatt Niseko, Hanazono upon the hotel's opening. Excluding other gains/losses, net, consolidated loss attributable to equity holders of the Company was HK$547 million, compared to HK$263 million as reported in same period last year.

OUTLOOK

As the world settles in the period post the COVID-19 peak, the attempt to gradually resume normal international sports leagues and tournaments is expected to improve subscriptions for Now TV. ViuTV will continue to produce quality programs to sustain a stable growth of local viewership. Regionally, Viu will strive to increase market penetration and engagement through its successful content strategy and partnership with telco partners in different markets.

PCCW Solutions will focus on driving IP-based solutions adoption and providing end-to-end outsourcing and managed services to assist large enterprises and public sector organizations to accelerate digital transformation and achieve cost efficiency and business agility.

HKT will actively drive 5G adoption by consumers and enterprises, while developing new revenue streams in digital and smart lifestyle services to complement its core telecommunications business.

As the COVID-19 situation remains severe in many countries, and Hong Kong also saw a raft of new cases recently, the battle seems to be far from being over. Following a serious contraction in the first half of the year, Hong Kong's economy is faced with new uncertainties due to sanctions taken by the United States administration.

At PCCW, we are confident that our resilient, diversified business portfolio and prudent financial and risk management will enable us to withstand these challenges. As always, we shall remain vigilant to changes in the external environment and make timely and appropriate responses as and when necessary.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK$ million	Jun 30, 2019	Dec 31, 2019	**Jun 30, 2020**	Better/ (Worse) y-o-y
Revenue				
HKT	15,109	17,994	**14,606**	(3)%
HKT (excluding Mobile Product Sales)	13,768	15,935	**13,636**	(1)%
Mobile Product Sales	1,341	2,059	**970**	(28)%
Now TV Business	1,358	1,327	**1,270**	(6)%
OTT Business	441	630	**502**	14%
Free TV Business	127	132	**130**	2%
Solutions Business	1,717	2,501	**1,907**	11%
Eliminations	(2,100)	(2,730)	**(1,736)**	17%
Core revenue[5]	16,652	19,854	**16,679**	0%
PCPD	207	808	**1,602**	674%
Consolidated revenue	16,859	20,662	**18,281**	8%
Cost of sales	(8,149)	(10,758)	**(9,689)**	(19)%
Operating costs before depreciation, amortization, and loss on disposal of property, plant and equipment, net	(3,423)	(2,810)	**(3,176)**	7%
EBITDA[1]				
HKT	5,733	7,084	**5,546**	(3)%
Now TV Business	204	250	**198**	(3)%
OTT Business	(235)	(79)	**(81)**	66%
Free TV Business	(143)	(130)	**(95)**	34%
Solutions Business	293	721	**225**	(23)%
Other Businesses	(233)	(276)	**(248)**	(6)%
Eliminations	(312)	(538)	**(149)**	52%
Core EBITDA[1,5]	5,307	7,032	**5,396**	2%
PCPD	(20)	62	**20**	n/a
Consolidated EBITDA[1]	5,287	7,094	**5,416**	2%
Core EBITDA[1,5] Margin	*32%*	*35%*	***32%***	
Consolidated EBITDA[1] Margin	*31%*	*34%*	***30%***	
Depreciation	(1,604)	(1,761)	**(1,772)**	(10)%
Amortization	(1,710)	(2,147)	**(1,953)**	(14)%
Loss on disposal of property, plant and equipment, net	(2)	(5)	**–**	n/a
Other gains/(losses), net	426	72	**(61)**	n/a
Interest income	40	46	**35**	(13)%
Finance costs	(925)	(1,033)	**(998)**	(8)%
Share of results of associates and joint ventures	10	23	**(19)**	n/a
Profit before income tax	1,522	2,289	**648**	(57)%
Income tax	(423)	(518)	**(394)**	7%
Non-controlling interests	(936)	(1,253)	**(838)**	10%
Profit/(Loss) attributable to equity holders of the Company				
Consolidated	163	518	**(584)**	n/a
Consolidated (excluding other gains/losses, net)	(263)	447	**(547)**	(108)%

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 HKT's unaudited condensed consolidated interim financial information. The adjusted funds flow may be used for debt repayment.

Note 5 Core revenue refers to consolidated revenue excluding PCPD, the Group's property development and investment business; and core EBITDA refers to the consolidated EBITDA excluding PCPD.

HKT

For the six months ended HK$ million	Jun 30, 2019	Dec 31, 2019	**Jun 30, 2020**	Better/ (Worse) y-o-y
HKT Revenue	15,109	17,994	**14,606**	(3)%
HKT (excluding Mobile Product Sales)	13,768	15,935	**13,636**	(1)%
Mobile Product Sales	1,341	2,059	**970**	(28)%
HKT EBITDA[1]	5,733	7,084	**5,546**	(3)%
HKT EBITDA[1] margin	*38%*	*39%*	***38%***	
HKT Adjusted Funds Flow[4]	2,272	3,057	**2,280**	0%

HKT delivered a resilient set of financial results for the six months ended June 30, 2020, amidst the most challenging economic and operating environments due to COVID-19.

During the period, consumers and businesses in Hong Kong and globally were subject to extensive social distancing measures as well as travel restrictions as a result of COVID-19. HKT saw a noticeable drop in foot traffic to its retail outlets, reduction in consumer handset and business equipment purchases, a sharp decline in mobile roaming revenue and a slowdown in Information and Communications Technology ("ICT") projects in the private sector.

Despite this, the overall softness in the Mobile segment was cushioned by the scale and resilience of the TSS segment. Revenue from TSS segment increased by 2% to HK$10,386 million reflecting the boost in demand for high quality, high speed home broadband services to accommodate work and entertainment needs arising from the stay home advice during the period. EBITDA was relatively stable at HK$3,801 million as a result of continued cost efficiency improvements to counter the impact of downsizings and closures in hard-hit segments such as retail and hospitality as well as across small and medium-sized enterprises ("SMEs").

The material decline in roaming inevitably led to a drop in Mobile services revenue which fell by 8% to HK$3,573 million. However, the core local revenue was kept steady reflecting the initial benefits of the average revenue per user ("ARPU") uplift from 5G upgrades which offset the continued price competition in the low-end segment of the market and reduced corporate spending. Subdued consumer sentiment drove down Mobile product sales to HK$970 million. EBITDA from the Mobile segment declined by 7% to HK$2,050 million, with the overall margin increasing to 45%.

As a result of the above, total EBITDA for the period was HK$5,546 million, a decrease of 3% over the same period in 2019. Adjusted funds flow for the six months ended June 30, 2020 was upheld at HK$2,280 million due to the clear reduction in discretionary spending and savings in rentals. The adjusted funds flow per share stapled unit was 30.10 HK cents.

HKT announced an interim distribution of 30.10 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 HKT's profit before income tax, please refer to its 2020 interim results announcement released on August 5, 2020.

Now TV Business

For the six months ended HK$ million	Jun 30, 2019	Dec 31, 2019	**Jun 30, 2020**	Better/ (Worse) y-o-y
Now TV Business Revenue	1,358	1,327	**1,270**	(6)%
Now TV Business EBITDA[1]	204	250	**198**	(3)%
Now TV *Business EBITDA[1] margin*	*15%*	*19%*	***16%***	

Revenue for the Now TV business for the six months ended June 30, 2020 decreased by 6% to HK$1,270 million compared to HK$1,358 million a year ago. Now TV revenue was adversely impacted by the suspension of sporting events across the world and the anti-epidemic restrictions that were placed on commercial premises in Hong Kong, particularly bars and restaurants. Nevertheless, the installed base of Now TV was steady at 1.356 million supported by the growing adoption of our Now E service.

EBITDA for the six months ended June 30, 2020 was HK$198 million, on an improved margin of 16% compared to the same period last year. This margin improvement was due to stringent control on discretionary publicity & promotion expenditures and continuous streamlining of content costs.

With the gradual return of live sporting events since June, business momentum is expected to improve in the second half of this year.

OTT Business

For the six months ended HK$ million	Jun 30, 2019	Dec 31, 2019	**Jun 30, 2020**	Better/ (Worse) y-o-y
OTT Business Revenue	441	630	**502**	14%
OTT Business EBITDA[1]	(235)	(79)	**(81)**	66%

Revenue for the OTT business grew by 14% to HK$502 million from HK$441 million a year ago underpinned by an impressive 26% growth in Video revenue to HK$434 million. With this continued growth, Video revenue represented 86% of the overall OTT revenue. Music revenue was affected by the cancellation of live events due to COVID-19.

The growing popularity of our Viu service during the extended stay-home period saw our monthly active users ("MAUs") and paying subscribers surge to 36.1 million and 4.3 million respectively, 21% and 119% higher than the comparable figures a year ago. The growth in MAUs as well as paying subscribers and increased engagement drove Viu revenue higher by 46% during the period. Viu is now available in 16 markets across Hong Kong, Southeast Asia and the Middle East. Thailand and Indonesia continue to be some of our largest and fastest growing markets while strong growth is recorded in the Middle East and new markets such as Myanmar and South Africa.

The strong growth in Viu MAUs and increased viewership are driven by our growing library of locally relevant content. This includes premium content from Korea, Japan, Thailand, mainland China and the Middle East as well as our equally popular Viu Original productions. Viu Originals continued to engage viewers across multiple markets, for example "Pretty Little Liars" was well received and recorded strong viewership from audiences in both Indonesia and Malaysia.

As a result of the enlarged revenue base and more disciplined spending, the EBITDA loss of OTT business narrowed to HK$81 million for the six months ended June 30, 2020 as compared to the loss of HK$235 million a year ago.

Free TV Business

For the six months ended HK$ million	Jun 30, 2019	Dec 31, 2019	**Jun 30, 2020**	Better/ (Worse) y-o-y
Free TV Business Revenue	127	132	**130**	2%
Free TV Business EBITDA[1]	(143)	(130)	**(95)**	34%

Despite an overall decline in advertising spending in Hong Kong, advertising revenue for ViuTV grew by 19% to HK$113 million for the six months ended June 30, 2020 from HK$95 million a year ago. The growth in advertising revenue stemmed from improved viewership and ratings during the period. Overall revenue was HK$130 million, which was only 2% higher than a year ago, as drama distribution revenue was lower during the first half of this year.

ViuTV narrowed its EBITDA loss to HK$95 million for the six months ended June 30, 2020, reflecting the enlarged revenue base and stringent cost control measures across all aspects of the business.

ViuTV will continue to deliver high quality scripted and non-scripted programs to drive further viewership growth and explore additional monetization opportunities from these investments.

Solutions Business

For the six months ended HK$ million	Jun 30, 2019	Dec 31, 2019	**Jun 30, 2020**	Better/ (Worse) y-o-y
Solutions Business Revenue	1,717	2,501	**1,907**	11%
Solutions Business EBITDA[1]	293	721	**225**	(23)%
Solutions Business EBITDA[1] margin	*17%*	*29%*	***12%***	

Revenue for the Solutions business increased by 11% to HK$1,907 million for the six months ended June 30, 2020 primarily driven by growth in data center demand and our regional expansion especially new projects in Southeast Asia. During the period, PCCW Solutions delivered critical IT services for both public and private enterprise customers in Singapore including remote infrastructure and onsite end-user support as well as IT systems and operations outsourcing. Revenues from these projects are mostly recurring in nature. In addition, data center revenue grew by 21% during the period on increased demand from hyper scale cloud providers, leading financial institutions and other key customers. As such, revenue of a recurring nature for the six months ended June 30, 2020 represented a higher proportion of over 76% of total Solutions business revenue.

During the first six months of 2020, many countries in which Solutions operates enforced lockdowns, which negatively affected the daily operations of our customers. Restricted access to customer premises coupled with the delay of large-scale IT projects for public sector customers in Hong Kong resulted in a material reduction in staff utilization rates and project cost over-runs. The difficult operating environment for our customers also led us to recognize certain bad debts. As a result, Solutions business EBITDA decreased by 23% to HK$225 million for the six months ended June 30, 2020.

Despite the challenging circumstances, the outlook for the Solutions business is positive with a healthy pipeline of secured orders, which increased by 43% to HK$10,560 million as at June 30, 2020. The growth was underpinned by a 483% increase in secured orders in the international segment, which comprises, among others, customers in the telecom and media sectors in Singapore.

Phase 1 of our new data center in Fo Tan was fully committed by the end of the period and Phase 2 is on track to be completed by the end of 2020. The Solutions business will continue to evaluate and expand its data center capacity in and outside of Hong Kong to meet the growing demand from customers.

PCPD

PCPD recorded total revenue of HK$1,602 million for the six months ended June 30, 2020, representing an increase of 674% from HK$207 million for the same period in 2019. The increase was primarily due to the completion and handover of Branded Residences in Hokkaido, Japan as well as the growth in gross rental income at PCP Jakarta.

PCPD has completed most of the handover and owner inspection of the Branded Residences. To date, 111 units have been sold or reserved. PCPD will monitor the market closely with respect to the two remaining units.

In Hokkaido, PCPD's hospitality and resort businesses have been substantially impacted by the threat of COVID-19 and the resulting travel restrictions. The occupancy rate of the Park Hyatt Niseko, Hanazono has remained low since late February. In April, the management team decided to close part of the food and beverage and recreational services to prevent the spread of the virus and save costs. All services will resume in phases when the situation is stabilized.

In Indonesia, the performance of PCPD's Grade A office building, PCP Jakarta has maintained steady amid a challenging environment. At the end of June 30, 2020, 86% of office space was reserved or committed.

In Phang-nga, Thailand, PCPD launched the sales of the first batch of villas in late 2019. To date, 27% have been sold or reserved. However, some of the construction work and sales and marketing activities have unavoidably been affected by the pandemic and the corresponding social distancing measures and travel restrictions.

For the project of Nos. 3-6 Glenealy, Hong Kong, PCPD intends to develop the site into a commercial or residential property depending on government's approval.

For more information about the performance of PCPD, please refer to its 2020 interim results announcement released on August 4, 2020.

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, 2020 was HK$248 million (June 30, 2019: HK$233 million).

Eliminations

Eliminations for the six months ended June 30, 2020 were HK$1,736 million (June 30, 2019: HK$2,100 million). This reflects the collaboration amongst the Company's business segments mainly including HKT and the Solutions business to jointly serve both internal and external projects.

Costs

Cost of Sales

For the six months ended HK$ million	Jun 30, 2019	Dec 31, 2019	**Jun 30, 2020**	Better/ (Worse) y-o-y
HKT	6,950	8,837	**6,941**	0%
The Group (excluding PCPD)	8,118	10,320	**8,364**	(3)%
Consolidated	8,149	10,758	**9,689**	(19)%

HKT's cost of sales for the six months ended June 30, 2020 was stable at HK$6,941 million, reflecting the lower cost of Mobile product sales which was offset by higher cost of sales associated with international voice revenue. Cost of sales for the Media business decreased by 12% as a result of streamlining of content-related costs during the period. Cost of sales for the Solutions business increased by 20% to support the delivery of IT services to new customers, particularly in Singapore. As a result, cost of sales for the core businesses increased by 3% to HK$8,364 million.

The Group's consolidated total cost of sales for the six months ended June 30, 2020 increased by 19% to HK$9,689 million, reflecting the recognition of the costs associated with the completion and handover of PCPD's Branded Residences.

General and Administrative Expenses

For the six months ended June 30, 2020, operating costs before depreciation, amortization, and loss on disposal of property, plant and equipment, net decreased by 7% to HK$3,176 million. To counteract the challenging operating and economic conditions, cost control measures were put in place during the period particularly with respect to publicity & promotion and travel & entertainment expenses.

Depreciation expenses for the period increased by 10% to HK$1,772 million mainly due to higher depreciation of HKT, PCCW Solutions' new data center and PCPD's hotel assets in Japan upon its commencement of operations in January 2020. Amortization expenses during the period increased by 14% reflecting the increased investments in content for the Free TV and OTT businesses. Content related amortization for the period was HK$512 million, as compared to HK$416 million a year ago.

As a result, general and administrative expenses increased by 2% year-on-year to HK$6,901 million for the six months ended June 30, 2020.

EBITDA[1]

Overall, core EBITDA for the six months ended June 30, 2020 increased by 2% to HK$5,396 million with the margin stable at 32%, primarily due to the narrowing of the EBITDA losses of the OTT and Free TV businesses.

Consolidated EBITDA for the six months ended June 30, 2020 increased by 2% to HK$5,416 million due to the positive contribution from PCPD.

Interest Income and Finance Costs

Interest income for the six months ended June 30, 2020 was HK$35 million while finance costs increased by 8% year-on-year to HK$998 million as a result of an increase in borrowings. As a result, net finance costs increased by 9% year-on-year to HK$963 million for the six months ended June 30, 2020. The average cost of debt was stable at 3.4%.

Income Tax

Income tax expense for the six months ended June 30, 2020 was HK$394 million, as compared to HK$423 million a year ago. The decrease in income tax expense was mainly due to lower operating profit during the period.

Non-controlling Interests

Non-controlling interests were HK$838 million for the six months ended June 30, 2020 (June 30, 2019: HK$936 million), which primarily represented the profit attributable to the non-controlling shareholders of HKT and PCPD.

Consolidated Profit/Loss Attributable to Equity Holders of the Company

Consolidated loss attributable to equity holders of the Company for the six months ended June 30, 2020 was HK$584 million (Consolidated profit attributable to equity holders of the Company as of June 30, 2019: HK$163 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$57,023 million as at June 30, 2020 (December 31, 2019: HK$55,499 million). Cash and short-term deposits totaled HK$5,397 million as at June 30, 2020 (December 31, 2019: HK$5,822 million).

As at June 30, 2020, the Group had a total of HK$42,692 million in bank loan facilities available for liquidity management and investment, of which HK$15,258 million remained undrawn. Of these bank loan facilities, HKT accounted for HK$28,448 million, of which HK$8,478 million remained undrawn.

The Group's gross debt[2] to total assets was 58% as at June 30, 2020 (December 31, 2019: 56%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2020, 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, 2020 was HK$1,474 million (June 30, 2019: HK$2,055 million), of which HKT accounted for about 81% (June 30, 2019: 65%).

Capital expenditure for HKT's Mobile business remained steady in the first half of 2020, as spending on the 5G rollout and critical infrastructure enhancements substituted the spending on the 4G network in the comparable period in 2019. Requirements for TSS capital expenditure shrank during the period, reflecting the maturity of fiber backbone investments already made and the general slowdown in enterprise projects. Capital expenditure for the Media business was steady. Capital expenditure for the Solutions business decreased due to the completion of current phase of the data center capacity expansion in Hong Kong. With the completion of Park Hyatt Niseko, Hanazono in Japan, PCPD's capital expenditure in first half of 2020 has decreased significantly compared to 2019 when bulk of the capital expenditure was spent for its construction.

The Group will continue to invest in building digital capabilities to support its existing businesses and 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.

Around 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, 2020, the majority of the 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, 2020, certain assets of the Group with an aggregate carrying value of HK$8,015 million (December 31, 2019: HK$10,310 million) were pledged to secure certain banking facilities of the Group.

CONTINGENT LIABILITIES

HK$ million	As at Dec 31, 2019 (Audited)	**As at Jun 30, 2020 (Unaudited)**
Performance guarantees	1,093	**1,166**
Others	165	**146**
	1,258	**1,312**

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, 2020, 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 will not materially affect the financial position of the Group.

HUMAN RESOURCES

The Group had over 22,800 employees as at June 30, 2020 (June 30, 2019: 23,400) located in 50 countries and cities. About 65% of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines and Singapore. 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.

DIVIDENDS

On August 6, 2020, the Board has resolved to declare (i) an interim cash dividend of 9.18 HK cents (June 30, 2019: 9.18 HK cents) per Share for the six months ended June 30, 2020; and (ii) a special interim dividend in the form of a distribution in specie of shares of PCPD ("PCPD Shares") held by the Group to the qualifying shareholders in proportion to their then respective shareholdings in the Company (the "Distribution") on the basis of 85 PCPD Shares for every 1,000 Shares held by the qualifying shareholders, provided that if certain condition is fulfilled by September 1, 2020, the amount of the Distribution will be increased to 108 PCPD Shares for every 1,000 Shares held by the qualifying shareholders.

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2020

In HK$ million (except for earnings/(loss) per share)	Note(s)	2019 (Unaudited)	**2020 (Unaudited)**
Revenue	2	16,859	**18,281**
Cost of sales		(8,149)	**(9,689)**
General and administrative expenses		(6,739)	**(6,901)**
Other gains/(losses), net	3	426	**(61)**
Interest income		40	**35**
Finance costs		(925)	**(998)**
Share of results of associates		22	**(10)**
Share of results of joint ventures		(12)	**(9)**
Profit before income tax	2, 4	1,522	**648**
Income tax	5	(423)	**(394)**
Profit for the period		1,099	**254**
Profit/(Loss) attributable to:			
Equity holders of the Company		163	**(584)**
Non-controlling interests		936	**838**
		1,099	**254**
Earnings/(Loss) per share	7		
Basic		2.11 cents	**(7.57) cents**
Diluted		2.11 cents	**(7.57) 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, 2020

In HK$ million	2019 (Unaudited)	**2020 (Unaudited)**
Profit for the period	1,099	**254**
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	13	**–**
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
– exchange differences on translating foreign operations	232	**(176)**
– reclassification of currency translation reserve on disposal of subsidiaries	–	**(1)**
Cash flow hedges:		
– effective portion of changes in fair value	125	**(26)**
– transfer from equity to consolidated income statement	55	**83**
Costs of hedging	24	**(1)**
Other comprehensive income/(loss) for the period	449	**(121)**
Total comprehensive income for the period	1,548	**133**
Attributable to:		
Equity holders of the Company	494	**(692)**
Non-controlling interests	1,054	**825**
Total comprehensive income for the period	1,548	**133**

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, 2020

In HK$ million	Note*	The Group As at December 31, 2019 (Audited)	The Group As at June 30, 2020 (Unaudited)	(Additional information) The Company As at December 31, 2019 (Audited)	(Additional information) The Company As at June 30, 2020 (Unaudited)
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		27,805	**28,418**	–	**–**
Right-of-use assets		3,745	**3,813**	–	**–**
Investment properties		3,680	**3,581**	–	**–**
Interests in leasehold land		368	**359**	–	**–**
Properties held for/under development		2,922	**2,961**	–	**–**
Goodwill		18,344	**18,331**	–	**–**
Intangible assets		13,331	**13,895**	–	**–**
Fulfillment costs		1,385	**1,432**	–	**–**
Customer acquisition costs		771	**748**	–	**–**
Contract assets		349	**342**	–	**–**
Interests in subsidiaries		–	**–**	20,163	**21,111**
Interests in associates		1,183	**1,158**	–	**–**
Interests in joint ventures		497	**452**	–	**–**
Financial assets at fair value through other comprehensive income		124	**124**	–	**–**
Financial assets at fair value through profit or loss		817	**808**	–	**–**
Derivative financial instruments		284	**302**	–	**35**
Deferred income tax assets		1,089	**1,092**	–	**–**
Other non-current assets		1,333	**1,377**	–	**–**
		78,027	**79,193**	20,163	**21,146**
Current assets					
Amounts due from subsidiaries		–	**–**	17,588	**18,052**
Sales proceeds held in stakeholders' accounts		506	**506**	–	**–**
Properties under development/held for sale		1,421	**283**	–	**–**
Inventories		1,226	**1,184**	–	**–**
Prepayments, deposits and other current assets		3,639	**3,495**	20	**50**
Contract assets		2,789	**2,479**	–	**–**
Trade receivables, net	8	4,616	**4,671**	–	**–**
Amounts due from related companies		116	**118**	–	**–**
Derivative financial instruments		6	**–**	–	**–**
Tax recoverable		18	**–**	–	**–**
Restricted cash		709	**227**	–	**–**
Short-term deposits		486	**508**	–	**–**
Cash and cash equivalents		5,336	**4,889**	1,004	**666**
		20,868	**18,360**	18,612	**18,768**

In HK$ million	Note*	The Group As at December 31, 2019 (Audited)	The Group As at **June 30, 2020 (Unaudited)**	(Additional information) The Company As at December 31, 2019 (Audited)	(Additional information) The Company As at **June 30, 2020 (Unaudited)**
Current liabilities					
Short-term borrowings		(1,528)	**(3,071)**	–	**–**
Trade payables	9	(2,746)	**(2,682)**	–	**–**
Accruals and other payables		(6,406)	**(6,335)**	(19)	**(11)**
Amount payable to the Government under the Cyberport Project Agreement		(325)	**(327)**	–	**–**
Derivative financial instruments		–	**(17)**	–	**(1)**
Carrier licence fee liabilities		(195)	**(251)**	–	**–**
Amounts due to related companies		(3)	**(5)**	–	**–**
Advances from customers		(381)	**(345)**	–	**–**
Contract liabilities		(1,966)	**(1,635)**	–	**–**
Lease liabilities		(1,376)	**(1,486)**	–	**–**
Current income tax liabilities		(1,361)	**(1,449)**	–	**–**
		(16,287)	**(17,603)**	(19)	**(12)**
Non-current liabilities					
Long-term borrowings		(53,505)	**(53,448)**	(3,206)	**(4,619)**
Amounts due to subsidiaries		–	**–**	(3,308)	**(3,377)**
Derivative financial instruments		(72)	**(126)**	(21)	**–**
Deferred income tax liabilities		(3,933)	**(4,060)**	–	**–**
Defined benefit retirement schemes liability		(120)	**(117)**	–	**–**
Carrier licence fee liabilities		(527)	**(704)**	–	**–**
Contract liabilities		(1,001)	**(966)**	–	**–**
Lease liabilities		(2,717)	**(2,712)**	–	**–**
Other long-term liabilities		(2,761)	**(2,979)**	–	**–**
		(64,636)	**(65,112)**	(6,535)	**(7,996)**
Net assets		17,972	**14,838**	32,221	**31,906**
CAPITAL AND RESERVES					
Share capital	10	12,954	**12,954**	12,954	**12,954**
Reserves		2,584	**117**	19,267	**18,952**
Equity attributable to equity holders of the Company		15,538	**13,071**	32,221	**31,906**
Non-controlling interests		2,434	**1,767**	–	**–**
Total equity		17,972	**14,838**	32,221	**31,906**

* The notes referenced above pertain solely to the consolidated statement of financial position. The above Company statement of financial position as at June 30, 2020 and December 31, 2019 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, 2020

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												
Purchases of shares of PCCW Limited ("PCCW Shares") under share award scheme	–	(26)	–	–	–	–	–	–	–	(26)	–	(26)
Purchases of share stapled units of HKT Trust and HKT Limited ("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/dividend for PCCW Shares and Share Stapled Units granted under share award schemes	–	–	(5)	–	–	–	–	–	–	(5)	–	(5)
Dividend paid in respect of previous year *(note 6(c))*	–	–	–	–	–	–	–	–	(1,723)	(1,723)	–	(1,723)
Distribution/dividends 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 a loss of control	–	–	–	(1)	–	–	–	–	(104)	(105)	43	(62)
Total changes in ownership interests in subsidiaries that do not result in a 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

In HK$ million

2020 (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	Other reserves	Retained profits	Total		
At January 1, 2020	12,954	(18)	67	(794)	325	(102)	(352)	3,458	15,538	2,434	17,972
Total comprehensive income/(loss) for the period											
Profit/(Loss) for the period	–	–	–	–	–	–	–	(584)	(584)	838	254
Other comprehensive income/(loss)											
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:											
Translation exchange differences:											
– exchange differences on translating foreign operations	–	–	–	(138)	–	–	–	–	(138)	(38)	(176)
– reclassification of currency translation reserve on disposal of subsidiaries	–	–	–	(1)	–	–	–	–	(1)	–	(1)
Cash flow hedges:											
– effective portion of changes in fair value	–	–	–	–	(14)	–	–	–	(14)	(12)	(26)
– transfer from equity to consolidated income statement	–	–	–	–	43	–	–	–	43	40	83
Costs of hedging	–	–	–	–	–	2	–	–	2	(3)	(1)
Other comprehensive income/(loss) for the period	–	–	–	(139)	29	2	–	–	(108)	(13)	(121)
Total comprehensive income/(loss) for the period	–	–	–	(139)	29	2	–	(584)	(692)	825	133
Transactions with equity holders											
Issue of PCCW Shares under share award scheme *(note 10(a))*	–*	–	–	–	–	–	–	–	–*	–	–*
Purchases/subscription of PCCW Shares under share award schemes	–	(8)	–	–	–	–	–	–	(8)	(1)	(9)
Purchases/subscription of Share Stapled Units under share award schemes	–	–	–	–	–	–	–	(4)	(4)	(1)	(5)
Employee share-based compensation	–	–	26	–	–	–	–	–	26	9	35
Vesting of PCCW Shares and Share Stapled Units under share award schemes	–	19	(45)	–	–	–	–	25	(1)	1	–
Distribution/dividend for PCCW Shares and Share Stapled Units granted under share award schemes	–	–	(4)	–	–	–	–	(1)	(5)	–	(5)
Dividend paid in respect of previous year *(note 6(c))*	–	–	–	–	–	–	–	(1,774)	(1,774)	–	(1,774)
Distribution/dividends declared and paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(1,480)	(1,480)
Total contributions by and distributions to equity holders	–	11	(23)	–	–	–	–	(1,754)	(1,766)	(1,472)	(3,238)
Disposal of subsidiaries	–	–	–	–	–	–	30	(30)	–	(20)	(20)
Accretion on put option to the non-controlling shareholder of an indirect non-wholly owned subsidiary that do not result in a loss of control	–	–	–	–	–	–	(9)	–	(9)	–	(9)
Total transactions with equity holders	–	11	(23)	–	–	–	21	(1,784)	(1,775)	(1,492)	(3,267)
At June 30, 2020	12,954	(7)	44	(933)	354	(100)	(331)	1,090	13,071	1,767	14,838

* Amount of HK$100,000

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, 2020

In HK$ million	2019 (Unaudited)	**2020 (Unaudited)**
Net cash generated from operating activities	4,302	**5,583**
Investing activities		
Investment in Mox Bank Limited (formerly known as SC Digital Solutions Limited) – an associate engaged in virtual banking business	(403)	**–**
Decrease/(increase) in short-term deposits with maturity more than three months	215	**(22)**
Other investing activities	(3,396)	**(2,974)**
Net cash used in investing activities	(3,584)	**(2,996)**
Financing activities		
New borrowings raised	7,955	**15,295**
Other financing activities (including repayments of borrowings)	(12,350)	**(18,309)**
Net cash used in financing activities	(4,395)	**(3,014)**
Net decrease in cash and cash equivalents	(3,677)	**(427)**
Exchange differences	(7)	**(20)**
Cash and cash equivalents at January 1,	6,757	**5,336**
Cash and cash equivalents at June 30,	3,073	**4,889**
Analysis of the balance of cash and cash equivalents:		
Total cash and bank balances	3,994	**5,624**
Less: Short-term deposits	(389)	**(508)**
Less: Restricted cash	(532)	**(227)**
Cash and cash equivalents at June 30,	3,073	**4,889**

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, 2019.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue on August 6, 2020.

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, 2019 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, 2019 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 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, 2019.

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, 2019, except for the adoption of the following new or amended Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs which are first effective or available for early adoption for accounting periods beginning on or after January 1, 2020 as described below.

The following new or amended HKFRSs and HKASs are adopted for the financial year beginning January 1, 2020, but have no material effect on the Group's reported results and financial position for the current and prior accounting periods.

- HKAS 1 (Revised) (Amendments), *Presentation of Financial Statements*
- HKAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors*
- HKAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*
- HKFRS 3 (Revised) (Amendments), *Business Combinations*
- HKFRS 7 (Amendments), *Financial Instruments: Disclosures*
- HKFRS 9 (2014) (Amendments), *Financial Instruments*
- HKFRS 16 (Amendments), *Leases*
- Conceptual Framework for Financial Reporting 2018

The Group has not early adopted any other new or amended HKFRSs and HKASs 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 Asia 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	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
External revenue from contracts with customers:								
Timing of revenue recognition								
At a point in time	2,073	102	32	18	–	2,225	–	2,225
Over time	12,217	1,152	1,047	83	–	14,499	–	14,499
External revenue from other sources:								
Rental income	30	–	–	105	–	135	–	135
	14,320	1,254	1,079	206	–	16,859	–	16,859
RESULTS								
EBITDA	5,733	(174)	293	(20)	(312)	5,520	(233)	5,287

2 SEGMENT INFORMATION *(CONTINUED)*

In HK$ million	Six months ended June 30, 2020 (Unaudited)							
	Reportable segments						Other#	Consolidated
	HKT	Media Business	Solutions Business	PCPD	Eliminations	Total		
REVENUE								
External revenue	14,046	1,264	1,370	1,601	–	18,281	–	18,281
Inter-segment revenue	560	638	537	1	(1,736)	–	–	–
Total revenue	14,606	1,902	1,907	1,602	(1,736)	18,281	–	18,281
External revenue from contracts with customers:								
Timing of revenue recognition								
At a point in time	1,789	125	31	1,361	–	3,306	–	3,306
Over time	12,225	1,139	1,339	157	–	14,860	–	14,860
External revenue from other sources:								
Rental income	32	–	–	83	–	115	–	115
	14,046	1,264	1,370	1,601	–	18,281	–	18,281
RESULTS								
EBITDA	5,546	22	225	20	(149)	5,664	(248)	5,416

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,	
	2019 (Unaudited)	**2020 (Unaudited)**
Total segment EBITDA	5,287	**5,416**
Loss on disposal of property, plant and equipment, net	(2)	**–**
Depreciation and amortization	(3,314)	**(3,725)**
Other gains/(losses), net	426	**(61)**
Interest income	40	**35**
Finance costs	(925)	**(998)**
Share of results of associates and joint ventures	10	**(19)**
Profit before income tax	1,522	**648**

3 OTHER GAINS/(LOSSES), NET

In HK$ million	Six months ended June 30,	
	2019	**2020**
	(Unaudited)	**(Unaudited)**
Fair value movement of derivative financial instruments	(1)	**–**
Fair value gains on financial assets at FVPL[1]	8	**–**
Dividend income from financial assets at FVOCI[2]	31	**–**
Loss on disposal of subsidiaries, net	–	**(55)**
Fair value gain on Network Capacity Access Rights[3]	369	**–**
Net gain on purchase of guaranteed notes	19	**–**
Others	–	**(6)**
	426	**(61)**

Notes:
1 "FVPL" refers to fair value through profit or loss
2 "FVOCI" refers to fair value through other comprehensive income
3 "Network Capacity Access Rights" is defined in note 8(a) of the annual consolidated financial statements for the year ended December 31, 2019

4 PROFIT BEFORE INCOME TAX

Profit before income tax was stated after (crediting)/charging the following:

In HK$ million	Six months ended June 30,	
	2019	**2020**
	(Unaudited)	**(Unaudited)**
Revenue from properties sold	–	**(1,329)**
Cost of inventories sold	2,132	**1,731**
Cost of properties sold	–	**1,245**
Cost of sales, excluding inventories/properties sold	6,017	**6,713**
Depreciation of property, plant and equipment	649	**823**
Depreciation of right-of-use assets	955	**949**
Amortization of intangible assets	992	**1,253**
Amortization of fulfillment costs	222	**245**
Amortization of customer acquisition costs	487	**446**
Amortization of land lease premium – interests in leasehold land	9	**9**
Impairment loss for trade receivables	176	**234**
Finance costs on borrowings	852	**898**

a. During the six months ended June 30, 2020, the Group has recognized in the consolidated income statement a subsidy of HK$117 million from the Employment Support Scheme introduced by the Government of the Hong Kong Special Administrative Region.

5 INCOME TAX

In HK$ million	Six months ended June 30, 2019 (Unaudited)	**2020 (Unaudited)**
Current income tax:		
Hong Kong profits tax	278	**223**
Overseas tax	26	**47**
Movement of deferred income tax	119	**124**
	423	**394**

Hong Kong profits tax is provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the period.

Overseas tax is calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the respective jurisdictions.

6 DIVIDENDS

a. Cash dividend attributable to the interim period

In HK$ million	Six months ended June 30, 2019 (Unaudited)	**2020 (Unaudited)**
Interim cash dividend declared after the end of the interim period of 9.18 HK cents (2019: 9.18 HK cents) per ordinary share	709	**710**

At a meeting held on August 6, 2020, the board of directors of the Company (the “Board”) has resolved to declare an interim cash dividend of 9.18 HK cents per ordinary share for the year ending December 31, 2020. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information.

6 DIVIDENDS *(CONTINUED)*

b. Special interim dividend by way of a distribution in specie of shares of PCPD

On August 6, 2020, the Board has resolved to declare a special interim dividend in the form of the distribution in specie of shares of PCPD ("PCPD Shares") held by the Group to the qualifying shareholders in proportion to their then respective shareholdings in the Company (the "Distribution") on the basis of 85 PCPD Shares for every 1,000 PCCW Shares held by the qualifying shareholders, provided that if certain condition is fulfilled by September 1, 2020, the amount of the Distribution will be increased to 108 PCPD Shares for every 1,000 PCCW Shares held by the qualifying shareholders.

As at the date of this unaudited condensed consolidated interim financial information, the Company is indirectly interested in approximately 92.6% of the total number of issued PCPD Shares on an as converted basis. Immediately after completion of the Distribution, the Company's equity interests in PCPD will be reduced to approximately 51%, provided that if certain condition is fulfilled by September 1, 2020, the amount of the Distribution will be increased such that the Company's equity interests in PCPD would be reduced to approximately 40%.

c. Dividend approved and paid during the interim period

In HK$ million	Six months ended June 30, 2019 (Unaudited)	**2020 (Unaudited)**
Final dividend declared in respect of the previous financial year, approved and paid during the interim period of 23 HK cents (2019: 22.33 HK cents) per ordinary share	1,724	**1,778**
Less: dividend for PCCW Shares held by share award schemes	(1)	**(4)**
	1,723	**1,774**

7 EARNINGS/(LOSS) PER SHARE

The calculations of basic and diluted earnings/(loss) per share were based on the following data:

	Six months ended June 30, 2019 (Unaudited)	Six months ended June 30, 2020 (Unaudited)
Earnings/(Loss) (in HK$ million)		
Earnings/(Loss) for the purpose of basic and diluted earnings/(loss) per share	163	**(584)**
Number of shares		
Weighted average number of ordinary shares	7,719,638,249	**7,725,517,370**
Effect of PCCW Shares held under the Company's share award schemes	(5,978,139)	**(10,679,517)**
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	7,713,660,110	**7,714,837,853**
Effect of PCCW Shares awarded under the Company's share award schemes	7,370,797	**–***
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	7,721,030,907	**7,714,837,853**

* The effect of PCCW Shares awarded under the Company's share award schemes would result in anti-dilutive effect on loss per share during the six months ended June 30, 2020.

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, 2019 (Audited)	As at June 30, 2020 (Unaudited)
1 – 30 days	3,211	**3,105**
31 – 60 days	493	**490**
61 – 90 days	353	**281**
91 – 120 days	152	**191**
Over 120 days	691	**949**
	4,900	**5,016**
Less: loss allowance	(284)	**(345)**
Trade receivables, net	4,616	**4,671**

As at June 30, 2020, included in trade receivables, net were amounts due from related parties of HK$66 million (as at December 31, 2019: HK$54 million).

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, 2019 (Audited)	**As at June 30, 2020 (Unaudited)**
1 – 30 days	1,585	**1,236**
31 – 60 days	583	**314**
61 – 90 days	105	**407**
91 – 120 days	34	**272**
Over 120 days	439	**453**
	2,746	**2,682**

As at June 30, 2020, included in trade payables were amounts due to related parties of HK$56 million (as at December 31, 2019: HK$21 million).

10 SHARE CAPITAL

	Six months ended June 30, 2019 Number of PCCW Shares (Unaudited)	2019 Share capital (Unaudited) HK$ million	**2020 Number of PCCW Shares (Unaudited)**	**2020 Share capital (Unaudited) HK$ million**
Ordinary shares of no par value, issued and fully paid:				
As at January 1,	7,719,638,249	12,954	**7,719,638,249**	**12,954**
PCCW Shares issued *(note a)*	–	–	**10,000,000**	**–**
As at June 30,	7,719,638,249	12,954	**7,729,638,249**	**12,954**

a. During the six months ended June 30, 2020, the Company issued and allotted 10,000,000 new fully paid PCCW Shares for an aggregate consideration of HK$100,000 (HK$0.01 per PCCW Share) under general mandate for grant of awards pursuant to the PCCW Subscription Scheme.

b. The Company had total distributable reserves of HK$18,946 million as at June 30, 2020 (December 31, 2019: HK$19,264 million).

11 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 PCCW Purchase Scheme and the PCCW 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 selected participants (including any director or employee of the Company and its participating companies for the PCCW Share Award Schemes, and any director or employee of HKT or any of its subsidiaries for the HKT Share Stapled Units Award Schemes) during the six months ended June 30, 2020.

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, 2019	
	Number of PCCW Shares (Unaudited)	Number of Share Stapled Units (Unaudited)
As at January 1, 2019	6,837,259	189,377
Purchases 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

	Six months ended June 30, 2020	
	Number of PCCW Shares (Unaudited)	**Number of Share Stapled Units (Unaudited)**
As at January 1, 2020	**7,144,031**	**2,244,397**
Purchases from the market by the trustee at weighted average market price of HK$4.72 per PCCW Share/HK$12.20 per Share Stapled Unit	**1,868,000**	**489,000**
New PCCW Shares issued by the Company at issue price of HK$0.01 per PCCW Share *(note 10(a))*	**10,000,000**	**–**
New Share Stapled Units jointly issued by HKT Trust and HKT at issue price of HK$11.86 per Share Stapled Unit	**–**	**4,000,000**
PCCW Shares/Share Stapled Units vested	**(8,392,887)**	**(2,671,437)**
As at June 30, 2020	**10,619,144**	**4,061,960**

The weighted average fair values of the PCCW Shares and the Share Stapled Units awarded during the six months ended June 30, 2020 at the dates of award were HK$4.64 (2019: HK$4.73) per PCCW Share and HK$11.87 (2019: HK$12.38) per Share Stapled Unit respectively, which were measured by the respective quoted market prices of the PCCW Shares and the Share Stapled Units at the respective award dates.

12 COMMITMENTS

a. Capital

In HK$ million	As at December 31, 2019 (Audited)	As at June 30, 2020 (Unaudited)
Authorized and contracted for	2,136	**2,108**

Included in the capital commitments were commitments of HK$1,547 million and HK$1,591 million for the acquisition of property, plant and equipment as at June 30, 2020 and December 31, 2019 respectively.

Additions of property, plant and equipment were HK$1,474 million and HK$2,055 million for the six months ended June 30, 2020 and 2019 respectively.

b. Others

In HK$ million	As at December 31, 2019 (Audited)	As at June 30, 2020 (Unaudited)
Purchase of rights to broadcast certain TV content	2,621	**2,014**
Operating expenditure commitments	4,037	**3,676**
	6,658	**5,690**

13 CONTINGENT LIABILITIES

In HK$ million	As at December 31, 2019 (Audited)	As at June 30, 2020 (Unaudited)
Performance guarantees	1,093	**1,166**
Others	165	**146**
	1,258	**1,312**

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, 2020, 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 will not materially affect the financial position of the Group.

14 CHARGE ON ASSETS

Securities pledged for certain banking facilities includes:

In HK$ million	As at	
	December 31, 2019 (Audited)	**June 30, 2020 (Unaudited)**
Property, plant and equipment	2,563	**2,098**
Investment properties	3,680	**3,581**
Properties held for development	2,174	**2,192**
Properties under development/held for sale	1,309	**–**
Restricted cash	496	**20**
Cash and cash equivalents	88	**124**
	10,310	**8,015**

15 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,	
		2019 (Unaudited)	**2020 (Unaudited)**
Telecommunications service fees, facility management service charges and interest income received or receivable from joint ventures	a	23	**22**
Telecommunications service fees, connectivity service fees, interest income and other costs recharge received or receivable from associates	a	–	**11**
Telecommunications service fees, system integration service fees and data center hosting service fees received or receivable from a substantial shareholder	a	54	**57**
Telecommunications service fees, equipment purchase costs, outsourcing fees and rental charges paid or payable to joint ventures	a	161	**144**
Telecommunications service fees and facility management service charges paid or payable to a substantial shareholder	a	52	**50**
Telecommunications service fees, connectivity service fees, equipment sales, insurance premium, rental income, system integration services fees and other costs recharge received or receivable from related parties under a common shareholder with the Company	a	38	**29**
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	52	**51**

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.

15 RELATED PARTY TRANSACTIONS *(CONTINUED)*

b. Details of key management compensation

In HK$ million	Six months ended June 30, 2019 (Unaudited)	Six months ended June 30, 2020 (Unaudited)
Salaries and other short-term employee benefits	40	**40**
Share-based compensation	10	**10**
Post-employment benefits	2	**1**
	52	**51**

16 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, 2019. There have been no material changes in the financial management policies and practices since December 31, 2019.

b. Estimation of fair values

Financial instruments carried at fair value are analyzed by valuation method and the different levels are 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 securities and equity investments.

16 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Estimation of fair values *(continued)*

The following tables present the Group's financial assets and liabilities that were measured at fair value:

In HK$ million	As at December 31, 2019 (Audited)			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI (non-current)				
– Unlisted securities	–	–	124	124
Financial assets at FVPL (non-current)				
– Unlisted securities	–	–	817	817
Derivative financial instruments (non-current)	–	284	–	284
Derivative financial instruments (current)	–	6	–	6
Total assets	–	290	941	1,231
Liabilities				
Contingent consideration payable	–	–	(37)	(37)
Derivative financial instruments (non-current)	–	(58)	(14)	(72)
Total liabilities	–	(58)	(51)	(109)

In HK$ million	**As at June 30, 2020 (Unaudited)**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at FVOCI (non-current)				
– Unlisted securities	**–**	**–**	**124**	**124**
Financial assets at FVPL (non-current)				
– Unlisted securities	**–**	**–**	**808**	**808**
Derivative financial instruments (non-current)	**–**	**302**	**–**	**302**
Total assets	**–**	**302**	**932**	**1,234**
Liabilities				
Contingent consideration payable	**–**	**–**	**(46)**	**(46)**
Derivative financial instruments (non-current)	**–**	**(112)**	**(14)**	**(126)**
Derivative financial instruments (current)	**–**	**(17)**	**–**	**(17)**
Total liabilities	**–**	**(129)**	**(60)**	**(189)**

16 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Estimation of fair values *(continued)*

Instruments included in level 2 comprised cross currency swap contracts, interest rate swap contracts and foreign exchange forward contracts classified as derivative financial instruments.

Instruments included in level 3 comprised investments in unlisted 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 Derivative (as defined in note 38(a) of the annual consolidated financial statements for the year ended December 31, 2019) classified as derivative financial instruments.

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 exchange forward contracts is calculated based on the prevailing market foreign 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.

Investments in unlisted investment funds that are not traded in an active market are valued based on information derived from individual fund reports, or audited reports received from respective fund managers and adjusted by other relevant factors if deemed necessary. For other investments in unlisted instruments, 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 38(a) of the annual consolidated financial statements for the year ended December 31, 2019) price: US$10.0 (December 31, 2019: US$10.0)
– Liquidity discount: 20.0% (December 31, 2019: 18.0%)

ii. Other unlisted investments

– Market multiples (based on enterprise value/revenue multiples of comparable companies): 1.4 – 1.7 (December 31, 2019: 1.4 – 1.7)
– Liquidity discount: 12.0% (December 31, 2019: 12.0%)

16 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Estimation of fair values *(continued)*

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the six months ended June 30, 2019 and 2020.

There were no material changes in valuation techniques during the six months ended June 30, 2019 and 2020.

The following tables present the changes in level 3 assets/(liabilities):

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

In HK$ million	**Six months ended June 30, 2020 (Unaudited)**			
	Financial assets at FVOCI – unlisted securities	**Financial assets at FVPL – unlisted securities**	**Contingent consideration payable**	**Derivative financial instruments – OTT Preference Shares Derivative**
At January 1,	**124**	**817**	**(37)**	**(14)**
Additions	**–**	**3**	**–**	**–**
Fair value loss recognized in other gains/(losses), net	**–**	**–**	**(7)**	**–**
Accretion on liability recognized in finance costs	**–**	**–**	**(2)**	**–**
Disposals	**–**	**(12)**	**–**	**–**
At June 30,	**124**	**808**	**(46)**	**(14)**

16 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, 2019 and June 30, 2020 except as follows:

In HK$ million	As at			
	December 31, 2019 (Audited)		**June 30, 2020 (Unaudited)**	
	Carrying amount	Fair value	**Carrying amount**	**Fair value**
Long-term borrowings	53,505	54,229	**53,448**	**54,570**

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.

17 SUBSEQUENT EVENT

On August 6, 2020, PCCW Interactive Media Holdings Limited ("PCCW Interactive Media"), an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement (the "SPA") with HKT Interactive Media Holdings Limited ("HKT Interactive Media"), an indirect wholly-owned subsidiary of HKT and an indirect non-wholly owned subsidiary of the Company, in relation to the proposed sale by PCCW Interactive Media to HKT Interactive Media of the entire issued share capital of PCCW Media Limited which operates the Group's pay-TV business for a cash consideration of US$250 million (approximately HK$1,950 million). After the completion of the proposed sale, which is subject to the fulfillment or waiver of certain conditions precedent specified in the SPA, PCCW Media Limited will continue to be consolidated into the Group's financial statements as an indirect non-wholly owned subsidiary of the Company. The proposed sale is expected to be completed in the second half of 2020.

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

As at June 30, 2020, 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:

	Number of ordinary Shares held					
Name of Director/Chief Executive	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of Shares in issue
Li Tzar Kai, Richard	–	–	307,694,369 *(Note 1(a))*	1,928,842,224 *(Note 1(b))*	2,236,536,593	28.93%
Srinivas Bangalore Gangaiah	2,218,768	–	–	2,097,217 *(Note 2)*	4,315,985	0.06%
Hui Hon Hing, Susanna	7,242,175	–	–	2,030,070 *(Note 2)*	9,272,245	0.12%
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 THE 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 88.63% 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 THE 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:

Name of Director/Chief Executive	Number of Share Stapled Units held Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of Share Stapled Units in issue
Li Tzar Kai, Richard	–	–	66,247,614 *(Note 1(a))*	158,764,423 *(Note 1(b))*	225,012,037	2.97%
Srinivas Bangalore Gangaiah	50,000	–	–	–	50,000	0.0007%
Hui Hon Hing, Susanna	3,862,498	–	–	780,458 *(Note 2)*	4,642,956	0.06%
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 THE 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 of the Company:

	Principal amount of the 2022 Bonds held (US$)				
Name of Director	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, 2020, 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, 2020.

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 an independent trustee for such selected participants, and will be vested over a period of time 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, 2020, an aggregate of 4,847,180 Shares and 1,091,734 Share Stapled Units were awarded pursuant to the Purchase Scheme subject to certain vesting conditions, including awards in respect of 1,402,248 Shares made to BG Srinivas, and 1,553,111 Shares and 356,444 Share Stapled Units made to Hui Hon Hing, Susanna (both of them are directors of the Company). Additionally, no Shares have lapsed and/or been forfeited and 4,585,863 Shares have vested; and 22,806 Share Stapled Units have lapsed and/or been forfeited and 930,760 Share Stapled Units have vested during the period. As at June 30, 2020, 6,551,419 Shares and 1,442,424 Share Stapled Units awarded pursuant to the Purchase Scheme remained unvested.

In respect of the Subscription Scheme, during the six months ended June 30, 2020, an aggregate of 4,644,902 Shares were awarded pursuant to the Subscription Scheme subject to certain vesting conditions. Additionally, 121,689 Shares have lapsed and/or been forfeited and 3,807,024 Shares have vested during the period. As at June 30, 2020, 6,362,982 Shares awarded pursuant to the Subscription Scheme remained unvested. During the six months ended June 30, 2020, 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, 2020 and June 30, 2020, 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 11 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, 2020.

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 an independent trustee for such selected participants, and will be vested over a period of time 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, 2020, an aggregate of 405,362 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 240,391 Share Stapled Units made to Hui Hon Hing, Susanna (a director of the Company). Additionally, 24,393 Share Stapled Units have lapsed and/or been forfeited and 1,179,672 Share Stapled Units have vested during the period. As at June 30, 2020, an aggregate of 629,201 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, 2020, an aggregate of 1,209,551 Share Stapled Units were awarded pursuant to the HKT Share Stapled Units Subscription Scheme subject to certain vesting conditions. Additionally, 19,377 Share Stapled Units have lapsed and/or been forfeited and 561,005 Share Stapled Units have vested during the period. As at June 30, 2020, an aggregate of 1,734,986 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 11 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, 2020.

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, 2020, 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	22.69%
PCGH	*1*	1,928,842,224	24.95%
Star Ocean Ultimate Limited	*2 and 3*	1,928,842,224	24.95%
The Ocean Trust	*2*	1,928,842,224	24.95%
The Starlite Trust	*2*	1,928,842,224	24.95%
OS Holdings Limited	*2*	1,928,842,224	24.95%
Ocean Star Management Limited	*2*	1,928,842,224	24.95%
The Ocean Unit Trust	*2*	1,928,842,224	24.95%
The Starlite Unit Trust	*2*	1,928,842,224	24.95%
Star Ocean Ultimate Holdings Limited	*3*	1,928,842,224	24.95%
Fung Jenny Wai Ling	*4*	1,928,842,224	24.95%
Huang Lester Garson	*4*	1,928,842,224	24.95%
China United Network Communications Group Company Limited ("Unicom")	*5*	1,424,935,885	18.43%
BlackRock, Inc.	*6*	456,296,457	5.90%

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 88.63% 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 7,642,000 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 June 29, 2020.

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

As at June 30, 2020, 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	24.95%

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, 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2020, 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, 2020. 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 (the "CG Code") in each case as set out in Appendix 14 to the Listing Rules during the six months ended June 30, 2020. Having regard to the mandatory global travel restrictions in connection with the COVID-19 pandemic, certain directors of the Company participated in the annual general meeting of the Company on May 8, 2020 by video/audio conferencing, and such directors, including the Chairman of the Board and the chairpersons of the Board committees, were available to answer questions at the meeting pursuant to Code Provision E.1.2 of the CG Code.

During the period covered by this report, in support of their responsibility for the risk management and internal control systems, the directors of the Company 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 2020 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)*
Mai Yanzhou
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 2020

This Interim Report 2020 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 2020 using electronic means through the website of the Company may request a printed copy, or
B) received the Interim Report 2020 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 2020) using electronic means through the Company's website and who, for any reason, have difficulty in receiving or gaining access to the Interim Report 2020 will promptly, upon request in writing or by email to the Company's Share Registrar, be sent the Interim Report 2020 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

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PCCW American Depositary Receipts
Citibank Shareholder Services
P.O. Box 43077
Providence, Rhode Island 02940-3077, USA
Telephone: +1 877 248 4237 (toll free within USA)
Telephone: +1 781 575 4555
Email: citibank@shareholders-online.com
Website: www.citi.com/dr

SHARE INFORMATION

Board lot:	1,000 shares
Issued shares as at June 30, 2020:	7,729,638,249 shares

DIVIDENDS FOR THE SIX MONTHS ENDED JUNE 30, 2020

Interim cash dividend per ordinary share:	9.18 HK cents
Special interim dividend in the form of a distribution in specie:	85 PCPD shares* for every 1,000 shares held

* *the number will be increased to 108 PCPD shares for every 1,000 shares held if certain condition is fulfilled, and "PCPD" refers to Pacific Century Premium Developments Limited (Stock Code: 0432). For details, please refer to the announcement of the 2020 Interim Results dated August 6, 2020.*

FINANCIAL CALENDAR

Announcement of 2020 Interim Results	August 6, 2020
Closure of register of members	September 7-8, 2020 (both days inclusive)
Record date for 2020 interim cash dividend and special interim dividend	September 8, 2020
Payment/distribution of 2020 interim cash dividend and special interim dividend	On or around October 8, 2020

INVESTOR RELATIONS

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Quarry Bay, Hong Kong
Telephone: +852 2514 5084
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, earnings and prospects. 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 relating to the business, industry and markets in which PCCW operates.

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 disruptions to the performance and prospects of our businesses resulting from macro-economic, public health 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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