Interim Report 2021

Stock Code: 0008

CONTENTS

CORPORATE PROFILE

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

The Company holds a majority stake in the HKT Trust and HKT Limited, Hong Kong's premier telecommunications service provider and leading operator of fixed-line, broadband, mobile communication and media entertainment services. HKT delivers end-to-end integrated solutions employing emerging technologies to assist enterprises in transforming their businesses. HKT has also built a digital ecosystem integrating its loyalty program, eCommerce, travel, insurance, FinTech and HealthTech services to deepen its relationship with customers.

PCCW owns a fully integrated multimedia and entertainment group in Hong Kong engaged in the provision of OTT video service locally and in other places in the region.

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

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

In addition, PCCW holds a stake in Pacific Century Premium Developments Limited and other overseas investments.

Employing over 22,000 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

PCCW posted a robust performance across its core businesses for the six months ended June 30, 2021, as Hong Kong began to recover from the pandemic following the commencement of its mass vaccination campaign.

In the media segment, pan-regional Viu OTT service reinforced its status as a leading video streaming platform in Southeast Asia through its three-pillared business strategy comprising premium content propositions, a freemium dual revenue model, and an extensive partner ecosystem. The OTT entertainment service recorded high growth in monthly active users (MAUs), paid subscribers, and revenue in the first half.

Celebrating its 5th anniversary in April, ViuTV further expanded its audience reach with an attractive slate of locally produced dramas and variety entertainment as well as acquired content. Revenue for the first half nearly doubled that of a year ago, exceeding its budgeted plan. ViuTV's artiste management business is grooming young local talents, many of whom have risen to high popularity with strong fan followings and support from brands and advertisers alike.

PCCW Solutions achieved continued success in assisting enterprise digital transformation and in its regional expansion. New and renewal contracts were secured in Hong Kong, mainland China, and Southeast Asia during the period.

HKT delivered a solid performance underpinned by its broadband and mobile businesses as well as enterprise services. Customer uptake of its 5G services surpassed half a million as of the end of July. Our capabilities in 5G and emerging technologies enabled us to win commercial contracts from property, healthcare, and other sectors. As the company continues to broaden its digital offerings, Tap & Go has been chosen by the Government as one of the stored value facility operators to implement its consumption voucher scheme, which will help revive the local economy.

On Pacific Century Premium Developments, preparation is in full swing for the opening of its golf resort in Phang-nga, Thailand in the third quarter. The Park Hyatt Niseko, Hanazono suspended operations intermittently during the first half due to the pandemic. The hotel will adjust its operations as the situation evolves.

For the second half, the local economic growth as projected by the Government appears to be on track as the vaccination rate in Hong Kong climbs steadily. However, uncertainties relating to the reopening of the border between mainland China and Hong Kong continue to overshadow the recovery process. PCCW will remain resolute in our commitment to delivering top-notch services to our customers and growing our businesses with the goal of creating long-term value for shareholders.

Richard Li
Chairman
August 6, 2021

STATEMENT FROM THE GROUP MANAGING DIRECTOR

In the first half, the global economy regained some strength and Hong Kong also rebounded from a deep recession amid COVID-19 vaccine rollouts. With business and social activities picking up, PCCW focused on offering enhanced services to better support our enterprise and individual customers in Hong Kong and other regions of the world. The Group recorded robust results across its core businesses of telecommunications, media, and IT services for the six months ended June 30, 2021.

The go-to platforms for premium entertainment

Viu, our pan-regional OTT (over-the-top) video streaming platform, has been benefiting from its three-pronged strategy to stay ahead of the competition. In the first half, we continued to create original and localized content IPs as well as offering Asian content including Korean, Japanese, Thai, and Chinese dramas to keep viewers engaged. Viu's freemium model allows it to tap into the rapidly growing digital advertising and online subscription markets which enabled us to achieve strong revenue growth in the first half, while we forged new partnerships with leading content providers and telcos across the region to broaden our market access, user base, and advertiser base.

In the latest independent market analysis published by AMPD Research for Southeast Asia markets covering Indonesia, Malaysia, the Philippines, Singapore, and Thailand, Viu ranked first in the second quarter among premium video streaming platforms in aggregate monthly active users (MAUs) and second in the total number of paid subscribers. As of June 30, the platform's MAUs had risen to 49.4 million and paid subscribers to seven million in 16 markets across Asia, the Middle East, and South Africa, representing increases of 37% and 62% respectively from the previous year. The high growth in MAUs and subscriber base provided strong momentum to deliver overall revenue growth.

In Hong Kong, April marked the 5th anniversary of ViuTV, which keeps viewers engaged and entertained with a rich mix of self-produced content and acquired shows across diverse genres. Our attractive content proposition led to significant year-on-year increases in both viewership and advertising revenue. Total revenue for the first half nearly doubled that of the previous year, outperforming our own budgeted plan.

ViuTV's artiste management business saw strong growth supported by the phenomenal rise in popularity of the boy groups MIRROR and ERROR, who first came to the public's attention through our talent show in 2018. MIRROR performed sold-out concerts earlier this year and group members gained support from fans and advertisers alike with multiple brand representation and advertising deals from household names to international luxury goods brands. In the first half, ViuTV also distributed over 2,900 hours of self-produced content to 26 markets via Viu OTT as well as other platforms.

ViuTV is broadcasting the Tokyo 2020 Olympics this summer, including extensive coverage of Hong Kong athletes in action. Summer campaign and support programs featuring MIRROR and other artistes are launched in parallel to enrich the Olympics viewing experience for Hong Kong audience.

Continued success in IT solutions business

In the first half, PCCW Solutions further boosted its secured orders with a number of long-term contracts from the public and private sectors. In Hong Kong, we have been awarded five-year renewal contracts from RTHK to provide technical services for its transmission networks and broadcast services. We have also received further commitment with expansion contracts from anchor hyperscale clients for SLC Data Center in Fo Tan. In mainland China, we have secured the expansion project of a planning management system from China Mobile.

In Southeast Asia, a three-year contract has been awarded from a government agency in Singapore to provide cloud managed services and IT infrastructure services for its IT operations. We have also won a long-term project from a regional insurance company to provide co-location and SD-WAN solutions at CJ1 Data Center in Malaysia. Currently, more than 35% of our employees are based in Southeast Asia to support our regional expansion.

PCCW Solutions has been developing industry-specific intellectual property (IP) solutions to empower the digital transformation of enterprises as one of the growth drivers. We have expanded our IP portfolio with our newly launched Infinitum Communications Suite (ICS), which integrates cutting-edge technologies to enable communications service providers (CSPs) to automate and streamline their selling, ordering, and monetizing processes. CSPs can leverage this end-to-end business support system to accelerate product launch, improve time-to-market, deliver differentiated services, and enhance customer satisfaction.

Resilient HKT performance

HKT registered a solid performance in the first half, underpinned by its broadband and mobile businesses as well as enterprise projects, as demand for reliable connectivity services remained strong under the new normal.

Our 5G mobile network not only provides comprehensive outdoor coverage, but is now fully accessible along the MTR including the newly completed Tuen Ma Line. The total number of 5G subscribers exceeded half a million as of the end of July, with momentum for further growth. HKT also leveraged its 5G advantages and expertise in emerging technologies to help realize smart projects in property, healthcare, and other sectors, in its bid to support Hong Kong's ongoing development into a smart city.

We continued to develop and expand the digital businesses. Our telemedicine platform DrGo has introduced mental health specialist consultations and chronic disease management to address market needs. In June, we launched Club Insurance to spur growth of our loyalty business The Club. In FinTech, our digital wallet Tap & Go is pleased to be supporting the Government in disbursing consumption vouchers this summer to stimulate local spending.

PCPD

Pacific Century Premium Developments (PCPD) is making the final preparations for the opening of its integrated golf, tennis, beach resort and country club in Phang-nga, Thailand in the third quarter of this year. The operations team is ready to welcome golfers at all levels to the 18-hole golf course, which aspires to be one of the best in Asia.

In Hong Kong, demolition work at 3-6 Glenealy is nearing completion and construction of a luxury residential building is expected to kick off later this year.

The slowdown in the hospitality and entertainment businesses of PCPD in Hokkaido, Japan throughout 2020 persisted into the first half of 2021 as international tourism flows in Asia Pacific remained subdued. Occupancy rate of the Park Hyatt Niseko, Hanazono was adversely affected by the declaration of a state of medical emergency in the prefecture for months during the period.

Outlook

Our leading pan-regional OTT video service Viu will continue to reinforce its status as the hub of Asian content with a compelling lineup of Korean, Japanese, Chinese, and Thai dramas, and drive viewership and subscriptions through a growing collection of Viu Originals and localized content, aided by data analytics and predictive modeling of audience preferences. We look forward to achieving breakeven in the near term.

Domestic free TV ViuTV will keep producing and releasing quality scripted and non-scripted content to entice more viewers to tune in. Grooming our artistes and identifying new talents have also proven to be effective means of expanding our viewership and advertising and associated revenues.

PCCW Solutions will seek to further grow its IP solution suites to facilitate the digital transformation of enterprises in Hong Kong and Southeast Asia, while continuing to develop its project pipeline for strong recurrent revenues. In July 2021, we entered into a share purchase agreement to divest our data center business operating in Hong Kong and Malaysia for US$750 million. The proceeds will be deployed to create shareholder value through various uses, including but not limited to strategic investments in growth areas such as financial services, buyback of the company's shares, repayment of debt, and other general corporate purposes.

Building on its 5G foundation, HKT is in a unique position to facilitate the Government's smart city projects, and will keep exploring new enterprise applications and use cases for monetization opportunities. We will deepen our market penetration with synergistic quadplay offerings and create new revenue streams from digital services.

Vaccination is key to the resolution of the global pandemic. As more and more Hong Kong people get vaccinated, including our own staff to whom we have extended paid vaccination leave, the local economy looks set to continue its steady rebound. Nevertheless, PCCW will remain vigilant to any changes in the external environment. With our sound financial footing, we will keep a sharp lookout for any growth opportunities that may arise from the gradually improving business environment, with the objective of creating additional value for shareholders.

BG Srinivas
Group Managing Director
August 6, 2021

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard
Chairman

Mr. Li, aged 54, 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, a Director of certain FWD group companies, 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 60, 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 56, 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 22 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 70, 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 83, 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 58, 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 currently an outside director of China Energy Conservation and Environmental Protection Group, and was previously an Executive Director of China Unicom (Hong Kong) Limited (Unicom HK) and 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 also 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 51, 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 46, 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 currently a Senior Vice President of China Minmetals Corporation, and was previously 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 also 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 50, 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, UBM plc, Hitevision Co., Ltd. and BlueCity Holdings Limited; an independent director of Fangdd Network Group Ltd., Leju Holdings Limited and OneSmart International Education Group Limited; and 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., and a non-executive director of JNBY Design Limited.

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 74, 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 59, 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 56, 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 60, was appointed an Independent Non-Executive Director of PCCW in November 2012 and is a member of the Audit Committee of the Board.

Mr. Rodert is the founder and Chief Executive Officer of ÖstVäst Advisory AB. 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 64, was appointed an Independent Non-Executive Director of PCCW and the Independent Non-Executive Chairman and Director of PCCW Media Limited, a subsidiary of PCCW in November 2013.

Mr. Chance is a Non-Executive Director of The Really Useful Group Limited, and was the Non-Executive Chairman of Modern Times Group MTG AB and the Non-Executive Chairman of Nordic Entertainment Group AB. 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 61, 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

- Core revenue increased 9% to HK$18,143 million
  - HKT total revenue up 7% to HK$15,643 million
  - OTT Business revenue up 29% to HK$646 million
  - Free TV & Related Business revenue up 97% to HK$256 million
  - Solutions Business revenue up 51% to HK$2,886 million

- Core EBITDA increased 6% to HK$5,710 million
  - HKT EBITDA up 3% to HK$5,715 million
  - OTT Business EBITDA loss narrowed to HK$20 million
  - Free TV & Related Business EBITDA loss narrowed to HK$44 million
  - Solutions Business EBITDA up 118% to HK$491 million

- Consolidated revenue was stable at HK$18,355 million
- Consolidated EBITDA increased by 4% to HK$5,608 million
- Consolidated loss attributable to equity holders of the Company for the period narrowed to HK$315 million

- Interim dividend of 9.36 HK cents per ordinary share

MANAGEMENT REVIEW

Following the initial recovery of the economy from a severe recession amid COVID-19 vaccine rollouts, PCCW recorded a robust performance across its core businesses of telecommunications, media and IT services for the six months ended June 30, 2021.

HKT Limited's ("HKT") total revenue increased by 7% to HK$15,643 million benefiting from a continued strong demand for broadband and data services alongside the growing adoption of our 5G services by both consumers and enterprises, which lifted our Mobile business revenue, as well as higher handset sales. The local data services business of the Telecommunications Services ("TSS") business registered a 5% growth in revenue which offset the decline in our roaming and wholesale voice related revenue. The Pay TV business, which was fully consolidated into HKT in this interim period, generated revenue of HK$1,231 million and EBITDA of HK$212 million in the first half of the year, benefiting from our exclusive broadcast of UEFA EURO 2020™ with the associated subscription, event-specific pass, and advertising revenue. HKT's total EBITDA increased by 3% to HK$5,715 million, reflecting the steady EBITDA of HKT's main businesses, the breadth and scale of its diversified business portfolio, as well as the effectiveness of cost control measures.

Both the over-the-top ("OTT") and Free TV & Related Business maintained their growth momentum with revenue expanding 29% and 97% respectively. These increases were underpinned by the rising viewership and popularity of their services in their respective markets. In particular, our video streaming service, Viu, achieved an impressive revenue growth of 47%. As a result of the broadened revenue base, OTT and Free TV & Related Business further narrowed their EBITDA losses and are on the path to profitability.

On the back of the secured orders amassed by the end of 2020, the Solutions Business continued to deliver several mission-critical projects in 2021 which lifted revenue by 51% to HK$2,886 million with a corresponding improvement in EBITDA which recorded a 118% increase to HK$491 million and an EBITDA margin that improved from 12% to 17%.

Consequently, core revenue climbed 9% to HK$18,143 million and core EBITDA increased by 6% to HK$5,710 million.

MANAGEMENT REVIEW *(CONTINUED)*

Pacific Century Premium Developments Limited ("PCPD") revenue decreased by 87% to HK$212 million mainly because the Park Hyatt Niseko Hanazono Residences ("Branded Residences") were completed and handed over in the first half of 2020 which contributed significantly to the revenue for that period, whereas the amount of property sales completed in the first half of 2021 was lower. Additionally, the hotel operations in Japan were heavily affected by the global travel restrictions amid the COVID-19 pandemic. Therefore, PCPD recorded an EBITDA loss of HK$102 million for the period.

On a consolidated basis, revenue was stable at HK$18,355 million and EBITDA increased by 4% to HK$5,608 million. Consolidated loss attributable to equity holders of the Company for the period narrowed to HK$315 million as a consequence of improvements in EBITDA for the Solutions, OTT and Free TV & Related Business.

The board of Directors (the "Board") declared an interim dividend of 9.36 HK cents per ordinary share for the six months ended June 30, 2021.

OUTLOOK

Our leading pan-regional OTT video service Viu will continue to reinforce its status as the hub of Asian content with a compelling lineup of Korean, Japanese, Chinese and Thai dramas, and drive viewership and subscriptions through a growing collection of Viu Originals and localized content, aided by data analytics and predictive modeling of audience preferences. We look forward to achieving breakeven in the near term.

Domestic free TV ViuTV will keep producing and releasing quality scripted and non-scripted content to entice more viewers to tune in. Grooming our artistes and identifying new talents have also proven to be effective means of expanding our viewership and advertising and associated revenues.

PCCW Solutions will seek to further grow its IP solution suites to facilitate the digital transformation of enterprises in Hong Kong and Southeast Asia, while continuing to develop its project pipeline for strong recurrent revenues. In July 2021, we entered into a share purchase agreement to divest our data center business operating in Hong Kong and Malaysia for US$750 million. The proceeds will be deployed to create shareholder value through various uses, including but not limited to strategic investments in growth areas such as financial services, buyback of the Company's shares, repayment of debt and other general corporate purposes.

Building on its 5G foundation, HKT is in a unique position to facilitate the Government's smart city projects, and will keep exploring new enterprise applications and use cases for monetization opportunities. We will deepen our market penetration with synergistic quadplay offerings and create new revenue streams from digital services.

Vaccination is key to the resolution of the global pandemic. As more and more Hong Kong people get vaccinated, including our own staff to whom we have extended paid vaccination leave, the local economy looks set to continue its steady rebound. Nevertheless, PCCW will remain vigilant to any changes in the external environment. With our sound financial footing, we will keep a sharp lookout for any growth opportunities that may arise from the gradually improving business environment, with the objective of creating additional value for shareholders.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK$ million	Jun 30, 2020	Dec 31, 2020	**Jun 30, 2021**	Better/ (Worse) y-o-y
Revenue				
HKT[6]	14,606	17,783	**15,643**	7%
HKT (excluding Mobile Product Sales)	13,636	16,144	**14,112**	3%
Mobile Product Sales	970	1,639	**1,531**	58%
Now TV Business	1,270	595	**n/a[6]**	n/a
OTT Business	502	685	**646**	29%
Free TV & Related Business	130	187	**256**	97%
Solutions Business	1,907	2,829	**2,886**	51%
Eliminations	(1,736)	(2,555)	**(1,288)**	26%
Core revenue[5]	16,679	19,524	**18,143**	9%
PCPD	1,602	241	**212**	(87)%
Consolidated revenue	18,281	19,765	**18,355**	0%
Cost of sales	(9,689)	(10,807)	**(9,815)**	(1)%
Operating costs before depreciation, amortization, and loss on disposal of property, plant and equipment, net	(3,176)	(2,396)	**(2,932)**	8%
EBITDA[1]				
HKT[6]	5,546	6,981	**5,715**	3%
Now TV Business	198	82	**n/a[6]**	n/a
OTT Business	(81)	(72)	**(20)**	75%
Free TV & Related Business	(95)	(70)	**(44)**	54%
Solutions Business	225	569	**491**	118%
Other Businesses	(248)	(212)	**(237)**	4%
Eliminations	(149)	(724)	**(195)**	(31)%
Core EBITDA[1,5]	5,396	6,554	**5,710**	6%
PCPD	20	8	**(102)**	n/a
Consolidated EBITDA[1]	5,416	6,562	**5,608**	4%
Core EBITDA[1,5] Margin	*32%*	*34%*	***31%***	
Consolidated EBITDA[1] Margin	*30%*	*33%*	***31%***	
Depreciation	(1,772)	(1,757)	**(1,713)**	3%
Amortization	(1,953)	(2,401)	**(2,174)**	(11)%
Loss on disposal of property, plant and equipment, net	–	(1)	**(3)**	n/a
Other (losses)/gains, net	(61)	(731)	**4**	n/a
Interest income	35	15	**15**	(57)%
Finance costs	(998)	(921)	**(865)**	13%
Share of results of associates and joint ventures	(19)	(6)	**(30)**	(58)%
Profit before income tax	648	760	**842**	30%
Income tax	(394)	(365)	**(466)**	(18)%
Less: Holders of perpetual capital securities	–	–	**(109)**	n/a
Less: Non-controlling interests	(838)	(831)	**(582)**	31%
Consolidated loss attributable to equity holders of the Company	(584)	(436)	**(315)**	46%

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.*

Note 6 *Subsequent to the completion of transfer of the Now TV business to HKT on September 30, 2020, results of the Now TV business are included in the HKT business.*

HKT[6]

For the six months ended HK$ million	Jun 30, 2020	Dec 31, 2020	**Jun 30, 2021**	Better/ (Worse) y-o-y
HKT Revenue	14,606	17,783	**15,643**	7%
TSS	10,386	11,971	**10,243**	(1)%
– Local TSS Services	6,622	8,091	**6,926**	5%
– International Telecommunications Services	3,764	3,880	**3,317**	(12)%
Mobile	4,543	5,823	**5,108**	12%
Pay TV	–	647	**1,231**	n/a
Other Businesses	155	210	**408**	163%
Eliminations	(478)	(868)	**(1,347)**	(182)%
HKT EBITDA[1]	5,546	6,981	**5,715**	3%
HKT EBITDA[1] margin	*38%*	*39%*	***37%***	
HKT Adjusted Funds Flow[4]	2,280	3,104	**2,326**	2%

HKT delivered a solid set of financial results for the six months ended June 30, 2021, amid the ongoing impacts of the pandemic on consumer and business activities set against a gradually improving operating environment.

The pandemic has highlighted the importance of connectivity and digital transformation services to consumer and business communities under the new normal where social distancing measures are maintained. As Hong Kong's premier information and communications technology service provider, HKT remained focused on its customers by delivering superior networks and digital platforms and offering innovative value-added services and compelling entertainment content to consumers and businesses.

Leveraging its solid fundamentals, the TSS business continued to demonstrate resilience and diversity during the period. The superior quality and reliability of HKT's fiber network continued to drive strong demand for our home broadband services alongside the Smart Living solutions. The enterprise segment also achieved robust growth momentum as business customers intensified their digital transformation efforts in response to the pandemic and the changing behavior and requirements of their end users. As a result, the local data services business registered a 5% growth in revenue during the period. The slowdown in international telecommunications business was mainly attributed to a decline in wholesale voice related revenue. As such, the TSS revenue edged down 1% to HK$10,243 million, with EBITDA increasing by 1% to HK$3,824 million during the period. Excluding international telecommunications revenue, the revenue from HKT's local TSS business increased by 5%, compared to the corresponding period in the previous year.

The Mobile business recorded a 12% growth in revenue to HK$5,108 million during the period. The Mobile services revenue held steady at HK$3,577 million, as the surge in local core revenue of 5% year-on-year more than compensated for the reduced contributions from the roaming business depressed by ongoing global travel restrictions. The surge in local core revenue benefited from the average revenue per user uplift from new subscriptions and upgrades to our 5G services. Meanwhile, handset sales also performed well benefiting from the 5G handset upgrade cycle, improved consumer confidence and more traffic captured by our digital channel Club Shopping. EBITDA from the Mobile segment increased by 1% to HK$2,072 million, with the overall margin at 41% during the period.

The Pay TV business, which included the full six-month contribution from Now TV, generated revenue of HK$1,231 million and EBITDA of HK$212 million in the first half of the year, reflecting the impact of our exclusive broadcast of UEFA EURO 2020™ on the subscription service and revenue generated from event-specific passes. During the period, Now TV enjoyed a significant year-on-year growth of 48% in advertising revenue.

Consequently, total EBITDA for the period increased by 3% year-on-year to HK$5,715 million. Profit attributable to holders of the share stapled units of the HKT Trust and HKT ("Share Stapled Units"), however, remained stable at HK$1,900 million due to higher amortization expenses largely attributed to the integration of the Now TV business. Basic earnings per Share Stapled Unit was 25.09 HK cents.

HKT[6] *(CONTINUED)*

Adjusted funds flow for the six months ended June 30, 2021 rose to HK$2,326 million, an increase of 2% over the previous year. The adjusted funds flow per Share Stapled Unit[4] was 30.70 HK cents.

HKT declared an interim distribution of 30.70 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 2021 interim results announcement released on August 5, 2021.

OTT Business

For the six months ended HK$ million	Jun 30, 2020	Dec 31, 2020	**Jun 30, 2021**	Better/ (Worse) y-o-y
OTT Business Revenue	502	685	**646**	29%
OTT Business EBITDA[1]	(81)	(72)	**(20)**	75%

The OTT Business continued its growth trajectory in the first half of 2021, with its revenue growing by 29% to HK$646 million. This growth was underpinned by the strong performance of our video streaming service, Viu, which attained a 47% revenue growth to HK$485 million. Furthermore, the resumption of live events helped our Music business to recover gradually.

Driving its advertising-subscription dual revenue model, Viu had a highly engaged user base of 49.4 million monthly active users ("MAUs") and paid subscribers of 7.0 million as of June 30, 2021, representing substantial growth of 37% and 62% respectively. This healthy increment has translated to 54% and 40% growth in Viu's advertising & related revenue and subscription revenue respectively. Viu is available in 16 markets across Greater Southeast Asia, the Middle East and South Africa with Thailand and Indonesia as two of our largest and fastest-growing markets.

Viu's premium content library continued to be the key driver of viewership and revenue. As the hub of Asian content, Viu offers programs in diverse genres in Asian languages with Korean titles topping our charts. More importantly, award-winning Viu Originals differentiated our service from other streaming platforms. In the first half of 2021, Viu debuted two Korean Viu Originals, namely River Where the Moon Rises and Doom at Your Service, which were highly appreciated by Viu-ers. We have built an extensive local network with telecom operators, ecommerce operators and content distribution partners to strengthen our leading position in the video streaming markets of Southeast Asia.

As a result of the expanded revenue base, the OTT Business is on track to achieve EBITDA breakeven this year with EBITDA loss narrowed to HK$20 million for the six months ended June 30, 2021 as compared to a loss of HK$81 million a year ago.

Free TV & Related Business

For the six months ended HK$ million	Jun 30, 2020	Dec 31, 2020	**Jun 30, 2021**	Better/ (Worse) y-o-y
Free TV & Related Business Revenue	130	187	**256**	97%
Free TV & Related Business EBITDA[1]	(95)	(70)	**(44)**	54%

ViuTV's advertising business thrived in the first half of 2021, with incremental spending from both new and existing advertisers attributable to our unique local content and the increasing popularity of our developed talent such as MIRROR. As a result, advertising revenue increased by 66% to HK$188 million for the six months ended June 30, 2021. Our artiste management and event business also benefited from the increased viewership. MIRROR performed sold-out concerts earlier this year and group members starred in the advertisements of international brands. As a whole, the Free TV & Related Business almost doubled its revenue to HK$256 million for the six months ended June 30, 2021, delivering ahead of our plans.

The enlarged businesses and revenue helped to narrow the Free TV & Related Business's EBITDA loss from HK$95 million for the six months ended June 30, 2020 to HK$44 million for the six months ended June 30, 2021. The Free TV & Related Business is on track to reach profitability in the near future.

ViuTV is broadcasting the Olympic Games Tokyo 2020 supplemented with a range of team-based game programs this summer to further drive viewership and monetization. We will continue to offer unique local content to maintain growth momentum, for example, the recent broadcast of Ossan's Love (HK version), our adaptation of the namesake Japanese hit drama, was a huge success and received overwhelming responses from the Hong Kong community.

Solutions Business

For the six months ended HK$ million	Jun 30, 2020	Dec 31, 2020	**Jun 30, 2021**	Better/ (Worse) y-o-y
Solutions Business Revenue	1,907	2,829	**2,886**	51%
Solutions Business EBITDA[1]	225	569	**491**	118%
Solutions Business EBITDA[1] margin	*12%*	*20%*	***17%***	

Revenue for the Solutions Business jumped by 51% to HK$2,886 million for the six months ended June 30, 2021 as the team continued to progress its various mega projects both in Hong Kong and the region. The momentum from 2020 in winning landmark deals and success with critical long-term implementation projects extended into the first half of the year.

During the period, the Solutions Business was awarded long-term outsourcing projects with new customers as well as upgrade and extension projects with existing clients, demonstrating that the team is able to secure new wins as well as building upon long-term relationships with existing customers.

Driven by better staff utilization levels and rigorous project management, the Solutions Business' EBITDA increased by 118% to HK$491 million with the EBITDA margin improving from 12% to 17% for the six months ended June 30, 2021.

Secured orders as of June 30, 2021 reached HK$25,412 million, an increase of 141% compared to the same time last year. Contributing to the increase are new large-scale infrastructure implementation projects such as the provision of communications systems for the new terminal 2 of the third runway at the Hong Kong International Airport.

The Solutions Business will continue to expand its portfolio of industry-specific IP solutions in addressing customer needs. With bespoke solutions for our customers, the Solutions Business aims to solidify our leadership position in Hong Kong while continuing to expand across the region.

PCPD

PCPD recorded total revenue of HK$212 million for the six months ended June 30, 2021, representing a decrease of 87% from HK$1,602 million for the corresponding period in 2020. The decrease was mainly due to less sales of properties in Japan in current period and the adverse impact of COVID-19 on the hotel and recreation and leisure operations in Niseko, Japan.

In Hokkaido, Japan, the pandemic has been extremely challenging for the local business community. The occupancy rate of the Park Hyatt Niseko, Hanazono, has remained low since the beginning of the year and the declaration of a state of emergency in mid-May has also affected PCPD's business in Japan. As of June 30, 2021, 96% of the units of PCPD's Branded Residences have been sold or reserved.

Located at the CBD in Jakarta, Indonesia, PCPD's premium office building, Pacific Century Place, Jakarta, has maintained a stable performance.

In Phang Nga, Thailand, PCPD has sold or reserved 33% of the phase 1A villas. The golf and country club house and the 18-hole golf course will soon be opened in the third quarter this year.

For the project of Nos. 3-6 Glenealy, Central, Hong Kong, the demolition work is in progress and it is expected the construction work will commence later this year.

For more information about the performance of PCPD, please refer to its 2021 interim results announcement released on August 4, 2021.

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, 2021 was HK$237 million (June 30, 2020: HK$248 million).

Eliminations

Eliminations for the six months ended June 30, 2021 were HK$1,288 million (June 30, 2020: HK$1,736 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, 2020	Dec 31, 2020	**Jun 30, 2021**	Better/ (Worse) y-o-y
HKT	6,941	8,762	**7,550**	(9%)
The Group (excluding PCPD)	8,364	10,738	**9,748**	(17%)
Consolidated	9,689	10,807	**9,815**	(1%)

HKT's cost of sales for the six months ended June 30, 2021 increased by 9% year-on-year to HK$7,550 million, reflecting the cost associated with higher Mobile product sales and with the full six-month contribution from the Now TV business during the period. Cost of sales for the OTT and Free TV & Related Business increased by 14% as the two businesses continued to scale. Cost of sales for the Solutions Business increased by 67% due to project expansion. As a result, cost of sales for the core businesses increased by 17% to HK$9,748 million.

The Group's consolidated total cost of sales for the six months ended June 30, 2021 was stable at HK$9,815 million, as the increase for the Group (excluding PCPD) was netted off against PCPD's lower property sales completed in the first half of 2021.

GENERAL AND ADMINISTRATIVE EXPENSES

For the six months ended June 30, 2021, operating costs before depreciation, amortization and loss on disposal of property, plant and equipment, net decreased by 8% to HK$2,932 million. To counteract the uncertain operating and economic environment, various cost control measures were put in place during the period.

Depreciation expenses for the period decreased by 3% to HK$1,713 million mainly due to lower depreciation of right-of-use assets as the Group continued to optimize its retail store portfolio. Amortization expenses during the period increased by 11% to HK$2,174 million mainly reflecting the acquisition and production of content for the OTT and Free TV & Related Business. Content-related amortization increased to HK$629 million for the period as compared to HK$512 million a year ago.

On balance, general and administrative expenses decreased by 1% year-on-year to HK$6,822 million for the six months ended June 30, 2021.

EBITDA[1]

Overall, core EBITDA for the six months ended June 30, 2021 increased by 6% to HK$5,710 million with the margin stable at 31%, primarily due to the improvement in the Solutions Business and narrowing of the EBITDA losses of the OTT and Free TV & Related Business.

Consolidated EBITDA for the six months ended June 30, 2021 achieved 4% growth to HK$5,608 million, moderated by PCPD's lower completion of property sales and stagnation of the hospitality operations in Japan.

INTEREST INCOME AND FINANCE COSTS

Interest income for the six months ended June 30, 2021 was HK$15 million while finance costs decreased by 13% year-on-year to HK$865 million as a result of reduced borrowings after the issuance of perpetual capital securities in January 2021. As a result, net finance costs decreased by 12% year-on-year to HK$850 million for the six months ended June 30, 2021. The average cost of debt also decreased to 2.8% compared to the same period last year.

INCOME TAX

Income tax expense for the six months ended June 30, 2021 was HK$466 million, as compared to HK$394 million a year ago. The increase in income tax expense was mainly due to the utilization of tax losses by certain group companies resulting in a reversal of deferred tax assets and increase in operating profit during the period.

HOLDERS OF PERPETUAL CAPITAL SECURITIES

Profit of HK$109 million for the six months ended June 30, 2021 was attributable to the holders of the perpetual capital securities, which represented distributions payable to the holders of the securities as accrued at 4% per annum on the US$750 million principal amount of the perpetual capital securities issued by the Group in January 2021.

NON-CONTROLLING INTERESTS

Non-controlling interests were HK$582 million for the six months ended June 30, 2021 (June 30, 2020: HK$838 million), which primarily represented the profit/loss attributable to the non-controlling shareholders of HKT and PCPD.

CONSOLIDATED LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Consolidated loss attributable to equity holders of the Company for the six months ended June 30, 2021 narrowed to HK$315 million (June 30, 2020: HK$584 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$58,663 million as at June 30, 2021 (December 31, 2020: HK$56,984 million). Cash and short-term deposits totaled HK$7,585 million as at June 30, 2021 (December 31, 2020: HK$4,619 million).

As at June 30, 2021, the Group had a total of HK$43,910 million in bank loan facilities available for liquidity management and investments, of which HK$17,847 million remained undrawn. Of these bank loan facilities, HKT accounted for HK$29,678 million, of which HK$7,906 million remained undrawn.

The Group's gross debt[2] to total assets was 57% as at June 30, 2021 (December 31, 2020: 58%).

On January 12, 2021, the Group issued US$750 million perpetual subordinated guaranteed securities through its indirect wholly-owned subsidiary, CAS Capital No. 1 Limited, which are guaranteed by CAS Holding No. 1 Limited ("CAS"). CAS directly holds approximately 51.94% of the total number of Share Stapled Units in issue. The perpetual securities have strengthened the equity position of the Group and provided additional liquidity for the Group to fund its corporate activities including debt repayment.

CREDIT RATINGS OF CAS AND HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2021, CAS had investment grade ratings with Moody's Investors Services ("Moody's") (Baa3) and S&P Global Ratings ("S&P") (BBB-). Hong Kong Telecommunications (HKT) Limited, an indirect non-wholly owned subsidiary of the Company, had investment grade ratings with Moody's (Baa2) and S&P (BBB).

CAPITAL EXPENDITURE[3]

Group capital expenditure for the six months ended June 30, 2021 was HK$1,353 million (June 30, 2020: HK$1,474 million), of which HKT accounted for about 89% (June 30, 2020: 81%).

Capital expenditure for HKT's Mobile business increased during the period with HKT's continuous efforts in expanding and enriching its 5G network. TSS capital expenditure dropped during the period, in line with the capital expenditure cycle of its extensive local fiber network and international cable systems. OTT and Free TV & Related Business's capital expenditure was stable. Capital expenditure for the Solutions Business decreased due to the near completion of the current phase of expansion of the data center capacity and equipment enhancement in Hong Kong.

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 expanding its 5G network taking into account the prevailing market conditions, 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 financing. 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.

A significant portion of the Group's financing 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, 2021, the majority of the forward and swap contracts were designated as cash flow hedges and/or fair value hedges for the related financing 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, 2021, certain assets of the Group with an aggregate carrying value of HK$8,119 million (December 31, 2020: HK$8,311 million) were pledged to secure certain banking facilities of the Group.

CONTINGENT LIABILITIES

HK$ million	As at Dec 31, 2020 (Audited)	**As at Jun 30, 2021 (Unaudited)**
Performance guarantees	1,573	**1,629**
Others	337	**323**
	1,910	**1,952**

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 underway. As at June 30, 2021, the Group was 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 22,000 employees as at June 30, 2021 (June 30, 2020: 22,800) located in 48 countries and cities. About 62% 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.

INTERIM DIVIDEND

The Board declared an interim dividend of 9.36 HK cents (June 30, 2020: 9.18 HK cents) per ordinary share for the six months ended June 30, 2021 to shareholders whose names appear on the register of members of the Company on Tuesday, August 24, 2021, payable on or around Friday, September 3, 2021.

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2021

In HK$ million (except for loss per share)	Note(s)	2020 (Unaudited)	**2021 (Unaudited)**
Revenue	2	18,281	**18,355**
Cost of sales		(9,689)	**(9,815)**
General and administrative expenses		(6,901)	**(6,822)**
Other (losses)/gains, net	3	(61)	**4**
Interest income		35	**15**
Finance costs		(998)	**(865)**
Share of results of associates		(10)	**(20)**
Share of results of joint ventures		(9)	**(10)**
Profit before income tax	2, 4	648	**842**
Income tax	5	(394)	**(466)**
Profit for the period		254	**376**
Profit/(Loss) attributable to:			
Equity holders of the Company		(584)	**(315)**
Holders of perpetual capital securities		–	**109**
Non-controlling interests		838	**582**
		254	**376**
Loss per share	7		
Basic		(7.57) cents	**(4.08) cents**
Diluted		(7.57) cents	**(4.08) cents**

The notes on pages 30 to 45 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2021

In HK$ million	2020 (Unaudited)	**2021 (Unaudited)**
Profit for the period	254	**376**
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	(176)	**(304)**
– reclassification of currency translation reserve on disposal of subsidiaries	(1)	**–**
Cash flow hedges:		
– effective portion of changes in fair value	(26)	**(90)**
– transfer from equity to consolidated income statement	83	**21**
Costs of hedging	(1)	**(2)**
Other comprehensive loss for the period	(121)	**(375)**
Total comprehensive income for the period	133	**1**
Attributable to:		
Equity holders of the Company	(692)	**(464)**
Holders of perpetual capital securities	–	**109**
Non-controlling interests	825	**356**
Total comprehensive income for the period	133	**1**

The notes on pages 30 to 45 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at June 30, 2021

In HK$ million	Note*	The Group As at December 31, 2020 (Audited)	The Group As at June 30, 2021 (Unaudited)	(Additional information) The Company As at December 31, 2020 (Audited)	(Additional information) The Company As at June 30, 2021 (Unaudited)
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		29,225	**29,528**	–	**–**
Right-of-use assets		3,602	**3,208**	–	**–**
Investment properties		3,617	**3,558**	–	**–**
Interests in leasehold land		350	**341**	–	**–**
Properties held for/under development		3,035	**3,051**	–	**–**
Goodwill		18,461	**18,460**	–	**–**
Intangible assets		14,534	**15,871**	–	**–**
Fulfillment costs		1,418	**1,455**	–	**–**
Customer acquisition costs		798	**794**	–	**–**
Contract assets		354	**291**	–	**–**
Interests in subsidiaries		–	**–**	33,852	**34,718**
Interests in associates		1,344	**1,647**	–	**–**
Interests in joint ventures		440	**403**	–	**–**
Financial assets at fair value through other comprehensive income		124	**124**	–	**–**
Financial assets at fair value through profit or loss		757	**988**	–	**–**
Derivative financial instruments		243	**148**	29	**–**
Deferred income tax assets		932	**879**	–	**–**
Other non-current assets		1,294	**1,339**	–	**–**
		80,528	**82,085**	33,881	**34,718**
Current assets					
Amounts due from subsidiaries		–	**–**	5,122	**4,862**
Sales proceeds held in stakeholders' accounts		504	**504**	–	**–**
Properties under development/held for sale		279	**272**	–	**–**
Inventories		1,081	**1,081**	–	**–**
Prepayments, deposits and other current assets		3,400	**3,554**	60	**66**
Contract assets		2,376	**2,688**	–	**–**
Trade receivables, net	8	4,627	**4,248**	–	**–**
Amounts due from related companies		49	**58**	–	**–**
Derivative financial instruments		–	**30**	–	**30**
Tax recoverable		22	**9**	–	**–**
Restricted cash		222	**219**	–	**–**
Short-term deposits		538	**468**	–	**–**
Cash and cash equivalents		4,081	**7,117**	229	**599**
		17,179	**20,248**	5,411	**5,557**
Assets classified as held for sale		132	**–**	–	**–**
		17,311	**20,248**	5,411	**5,557**

In HK$ million	Note*	The Group As at December 31, 2020 (Audited)	The Group As at **June 30, 2021 (Unaudited)**	(Additional information) The Company As at December 31, 2020 (Audited)	(Additional information) The Company As at **June 30, 2021 (Unaudited)**
Current liabilities					
Short-term borrowings		(2,370)	**(5,135)**	–	**(250)**
Trade payables	9	(4,418)	**(3,669)**	–	**–**
Accruals and other payables		(6,188)	**(5,526)**	(14)	**(10)**
Amount payable to the Government under the Cyberport Project Agreement		(330)	**(334)**	–	**–**
Derivative financial instruments		(29)	**(3)**	(5)	**–**
Carrier licence fee liabilities		(215)	**(262)**	–	**–**
Amounts due to related companies		(47)	**(56)**	–	**–**
Advances from customers		(310)	**(303)**	–	**–**
Contract liabilities		(1,629)	**(1,633)**	–	**–**
Lease liabilities		(1,508)	**(1,347)**	–	**–**
Current income tax liabilities		(1,290)	**(1,708)**	–	**–**
		(18,334)	**(19,976)**	(19)	**(260)**
Non-current liabilities					
Long-term borrowings	10	(54,319)	**(53,193)**	(3,609)	**(1,253)**
Amounts due to subsidiaries		–	**–**	(3,391)	**(6,844)**
Derivative financial instruments		(137)	**(214)**	–	**(9)**
Deferred income tax liabilities		(4,023)	**(4,181)**	–	**–**
Defined benefit retirement schemes liability		(129)	**(125)**	–	**–**
Carrier licence fee liabilities		(627)	**(1,584)**	–	**–**
Contract liabilities		(1,074)	**(1,057)**	–	**–**
Lease liabilities		(2,362)	**(2,097)**	–	**–**
Other long-term liabilities		(3,280)	**(3,490)**	–	**–**
		(65,951)	**(65,941)**	(7,000)	**(8,106)**
Net assets		13,554	**16,416**	32,273	**31,909**
CAPITAL AND RESERVES					
Share capital	11	12,954	**12,954**	12,954	**12,954**
Reserves		(3,021)	**(5,400)**	19,319	**18,955**
Equity attributable to equity holders of the Company		9,933	**7,554**	32,273	**31,909**
Perpetual capital securities	12	–	**5,885**	–	**–**
Non-controlling interests		3,621	**2,977**	–	**–**
Total equity		13,554	**16,416**	32,273	**31,909**

* The notes referenced above pertain solely to the consolidated statement of financial position. The above Company statement of financial position as at June 30, 2021 and December 31, 2020 is presented only as additional information to this unaudited condensed consolidated interim financial information.

The notes on pages 30 to 45 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, 2021

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 shares of PCCW Limited ("PCCW Shares") under share award scheme *(note 11(a))*	–*	–	–	–	–	–	–	–	–*	–	–*
Purchases/Subscription of PCCW Shares under share award schemes	–	(8)	–	–	–	–	–	–	(8)	(1)	(9)
Purchases/Subscription of share stapled units of HKT Trust and HKT Limited ("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 does 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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

For the six months ended June 30, 2021

In HK$ million	2021 (Unaudited)											
	Attributable to equity holders of the Company									Perpetual capital securities	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	Accumulated losses	Total			
At January 1, 2021	12,954	(7)	66	(40)	136	1	(339)	(2,838)	9,933	–	3,621	13,554
Total comprehensive income/(loss) for the period												
Profit/(Loss) for the period	–	–	–	–	–	–	–	(315)	(315)	109	582	376
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	–	–	–	(116)	–	–	–	–	(116)	–	(188)	(304)
Cash flow hedges:												
– effective portion of changes in fair value	–	–	–	–	(47)	–	–	–	(47)	–	(43)	(90)
– transfer from equity to consolidated income statement	–	–	–	–	8	3	–	–	11	–	10	21
Costs of hedging	–	–	–	–	–	3	–	–	3	–	(5)	(2)
Other comprehensive income/(loss) for the period	–	–	–	(116)	(39)	6	–	–	(149)	–	(226)	(375)
Total comprehensive income/(loss) for the period	–	–	–	(116)	(39)	6	–	(315)	(464)	109	356	1
Transactions with equity holders												
Issue of perpetual capital securities	–	–	–	–	–	–	–	–	–	5,776	–	5,776
Purchases of PCCW Shares under share award scheme	–	(11)	–	–	–	–	–	–	(11)	–	(1)	(12)
Employee share-based compensation	–	–	22	–	–	–	–	–	22	–	7	29
Vesting of PCCW Shares and Share Stapled Units under share award schemes	–	17	(42)	–	–	–	–	24	(1)	–	1	–
Distribution/Dividend for PCCW Shares and Share Stapled Units granted under share award schemes	–	–	(4)	–	–	–	–	–	(4)	–	–	(4)
Dividend paid in respect of previous year *(note 6(c))*	–	–	–	–	–	–	–	(1,776)	(1,776)	–	–	(1,776)
Distribution/Dividends declared and paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	(1,507)	(1,507)
Total contributions by and distributions to equity holders	–	6	(24)	–	–	–	–	(1,752)	(1,770)	5,776	(1,500)	2,506
Decrease in interests in subsidiaries that does not result in a loss of control *(note 19)*	–	–	–	69	–	–	–	(205)	(136)	–	500	364
Accretion on put option to the non-controlling shareholder of an indirect non-wholly owned subsidiary that does not result in a loss of control	–	–	–	–	–	–	(9)	–	(9)	–	–	(9)
Total transactions with equity holders	–	6	(24)	69	–	–	(9)	(1,957)	(1,915)	5,776	(1,000)	2,861
At June 30, 2021	12,954	(1)	42	(87)	97	7	(348)	(5,110)	7,554	5,885	2,977	16,416

The notes on pages 30 to 45 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, 2021

In HK$ million	2020 (Unaudited)	**2021 (Unaudited)**
Net cash generated from operating activities	5,583	**3,529**
Investing activities		
Investments in associates	–	**(311)**
Other investing activities	(2,996)	**(3,091)**
Net cash used in investing activities	(2,996)	**(3,402)**
Financing activities		
New borrowings raised	15,295	**16,086**
Proceeds from issuance of perpetual capital securities, net	–	**5,776**
Other financing activities (including repayments of borrowings)	(18,309)	**(18,930)**
Net cash (used in)/generated from financing activities	(3,014)	**2,932**
Net (decrease)/increase in cash and cash equivalents	(427)	**3,059**
Exchange differences	(20)	**(23)**
Cash and cash equivalents at January 1,	5,336	**4,081**
Cash and cash equivalents at June 30,	4,889	**7,117**
Analysis of cash and cash equivalents:		
Total cash and bank balances	5,624	**7,804**
Less: short-term deposits	(508)	**(468)**
Less: restricted cash	(227)	**(219)**
Cash and cash equivalents at June 30,	4,889	**7,117**

The notes on pages 30 to 45 form an integral part of this unaudited condensed consolidated interim financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

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 Group's annual consolidated financial statements for the year ended December 31, 2020.

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, 2021.

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, 2020 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, 2020 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).

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, 2020.

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, 2020, except for the accounting policies introduced for the perpetual capital securities (see note 12).

The Group has not early adopted any new or amended Hong Kong Financial Reporting Standards 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.

2 SEGMENT INFORMATION *(CONTINUED)*

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, media entertainment, 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 offers over-the-top digital media entertainment services in Hong Kong, the Asia Pacific region, and other parts of the world and domestic free television service in Hong Kong. Prior to October 1, 2020, Media Business also offered pay-TV services.

- 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.

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, 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

2 SEGMENT INFORMATION *(CONTINUED)*

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

In HK$ million	Six months ended June 30, 2021 (Unaudited)							
	Reportable segments						Other#	Consolidated
	HKT	Media Business	Solutions Business	PCPD	Eliminations	Total		
REVENUE								
External revenue	14,995	794	2,355	211	–	18,355	–	18,355
Inter-segment revenue	648	108	531	1	(1,288)	–	–	–
Total revenue	15,643	902	2,886	212	(1,288)	18,355	–	18,355
External revenue from contracts with customers:								
Timing of revenue recognition								
At a point in time	2,863	173	36	36	–	3,108	–	3,108
Over time	12,106	621	2,319	87	–	15,133	–	15,133
External revenue from other sources:								
Rental income	26	–	–	88	–	114	–	114
	14,995	794	2,355	211	–	18,355	–	18,355
RESULTS								
EBITDA	5,715	(64)	491	(102)	(195)	5,845	(237)	5,608

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, 2020 (Unaudited)	**2021 (Unaudited)**
Total segment EBITDA	5,416	**5,608**
Loss on disposal of property, plant and equipment, net	–	**(3)**
Depreciation and amortization	(3,725)	**(3,887)**
Other (losses)/gains, net	(61)	**4**
Interest income	35	**15**
Finance costs	(998)	**(865)**
Share of results of associates and joint ventures	(19)	**(30)**
Profit before income tax	648	**842**

3 OTHER (LOSSES)/GAINS, NET

In HK$ million	Six months ended June 30, 2020 (Unaudited)	**2021 (Unaudited)**
Fair value gains on financial assets at FVPL[1]	–	**12**
Fair value movement of derivative financial instruments	–	**(9)**
Loss on disposal of subsidiaries, net	(55)	**–**
Others	(6)	**1**
	(61)	**4**

Note:
[1] "FVPL" refers to fair value through profit or loss

4 PROFIT BEFORE INCOME TAX

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

In HK$ million	Six months ended June 30, 2020 (Unaudited)	**2021 (Unaudited)**
Revenue from properties sold	(1,329)	**(21)**
Cost of inventories sold	1,731	**2,715**
Cost of properties sold	1,245	**18**
Cost of sales, excluding inventories/properties sold	6,713	**7,082**
Depreciation of property, plant and equipment	823	**819**
Depreciation of right-of-use assets	949	**894**
Amortization of intangible assets	1,253	**1,472**
Amortization of fulfillment costs	245	**190**
Amortization of customer acquisition costs	446	**503**
Amortization of land lease premium – interests in leasehold land	9	**9**
Impairment loss for trade receivables	234	**113**
Finance costs on borrowings	898	**776**

5 INCOME TAX

In HK$ million	Six months ended June 30, 2020 (Unaudited)	**2021 (Unaudited)**
Current income tax:		
Hong Kong profits tax	223	**197**
Overseas tax	47	**56**
Movement of deferred income tax	124	**213**
	394	**466**

Hong Kong profits tax is provided at the rate of 16.5% (2020: 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, 2020 (Unaudited)	**2021 (Unaudited)**
Interim cash dividend declared after the end of the interim period of 9.36 HK cents (2020: 9.18 HK cents) per ordinary share	710	**723**

At the meeting held on August 6, 2021, the board of directors of the Company (the "Board") declared an interim cash dividend of 9.36 HK cents per ordinary share for the year ending December 31, 2021. This interim cash 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 declared a special interim dividend in the form of a distribution in specie of shares of PCPD (the "PCPD Shares") 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, provided that if certain condition is fulfilled by September 1, 2020, the amount of the Distribution would be increased to 108 PCPD Shares for every 1,000 PCCW Shares. With such condition fulfilled in August 2020, the Company made the Distribution of a total of 834,800,925 PCPD Shares with an aggregate market value of HK$1,603 million to qualifying shareholders on the basis of 108 PCPD Shares for every 1,000 PCCW Shares in September 2020. As a result of the Distribution, the Company's economic interest in PCPD and its subsidiaries (together the "PCPD Group") reduced from approximately 92.6% to approximately 40.0% with a corresponding increase in non-controlling interests attributable to the PCPD Group of HK$1,760 million measured according to the attributable carrying amount.

c. Dividend approved and paid during the interim period

In HK$ million	Six months ended June 30, 2020 (Unaudited)	**2021 (Unaudited)**
Final dividend declared in respect of the previous financial year, approved and paid during the interim period of 23 HK cents (2020: 23 HK cents) per ordinary share	1,778	**1,778**
Less: dividend for PCCW Shares held by share award schemes	(4)	**(2)**
	1,774	**1,776**

7 LOSS PER SHARE

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

	Six months ended June 30, 2020 (Unaudited)	**2021 (Unaudited)**
Loss (in HK$ million)		
Loss for the purpose of basic and diluted loss per share	(584)	**(315)**
Number of shares		
Weighted average number of ordinary shares	7,725,517,370	**7,729,638,249**
Effect of PCCW Shares held under the Company's share award schemes	(10,679,517)	**(9,434,537)**
Weighted average number of ordinary shares for the purpose of basic loss per share	7,714,837,853	**7,720,203,712**
Effect of PCCW Shares awarded under the Company's share award schemes	–*	**–***
Weighted average number of ordinary shares for the purpose of diluted loss per share	7,714,837,853	**7,720,203,712**

* 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 and 2021.

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, 2020 (Audited)	As at **June 30, 2021 (Unaudited)**
1 – 30 days	3,034	**2,620**
31 – 60 days	593	**471**
61 – 90 days	318	**246**
91 – 120 days	153	**115**
Over 120 days	895	**1,164**
	4,993	**4,616**
Less: loss allowance	(366)	**(368)**
Trade receivables, net	4,627	**4,248**

As at June 30, 2021, included in trade receivables, net were amounts due from related parties of HK$69 million (as at December 31, 2020: HK$39 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, 2020 (Audited)	As at **June 30, 2021 (Unaudited)**
1 – 30 days	1,936	**1,742**
31 – 60 days	937	**443**
61 – 90 days	557	**495**
91 – 120 days	271	**143**
Over 120 days	717	**846**
	4,418	**3,669**

As at June 30, 2021, included in trade payables were amounts due to related parties of HK$26 million (as at December 31, 2020: HK$36 million).

10 LONG-TERM BORROWINGS

On June 7, 2021, PCPD Group launched a tender offer to purchase for cash its 4.75% guaranteed notes due 2022 in aggregate principal amount of US$700 million (the "Existing Notes"), of which US$70 million was held by Asian Motion Limited, a direct wholly-owned subsidiary of the Company and a holding company of PCPD. On June 18, 2021, PCPD Group completed the settlement of the tender offer, accepted for purchase and cancelled US$384 million in aggregate principal amount of the Existing Notes, which included a principal amount of US$70 million tendered by Asian Motion Limited. As at June 30, 2021, US$316 million in aggregate principal amount of the Existing Notes remained outstanding.

On June 18, 2021, PCPD Capital Limited ("PCPD Capital"), an indirect non-wholly owned subsidiary of the Company, issued 5.125% guaranteed notes due 2026 in aggregate principal amount of US$800 million (the "New Notes"). Asian Motion Limited subscribed for a principal amount of US$100 million of the New Notes. Listed on the Singapore Exchange Securities Trading Limited, the New Notes are irrecoverably and unconditionally guaranteed by PCPD. The New Notes rank pari passu among themselves and with all other present and future unsecured and unsubordinated obligations of PCPD Capital and PCPD. As at June 30, 2021, the New Notes were recognized at amortized cost and classified as long-term borrowings with carrying amount of HK$5,383 million.

11 SHARE CAPITAL

	Six months ended June 30,			
	2020		**2021**	
	Number of PCCW Shares (Unaudited)	Share capital (Unaudited) HK$ million	**Number of PCCW Shares (Unaudited)**	**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	**7,729,638,249**	**12,954**
PCCW Shares issued *(note a)*	10,000,000	–	**–**	**–**
As at June 30,	7,729,638,249	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 (as disclosed in note 13).

b. The Company had total distributable reserves of HK$18,939 million as at June 30, 2021 (December 31, 2020: HK$19,314 million).

12 PERPETUAL CAPITAL SECURITIES

On January 12, 2021, CAS Capital No. 1 Limited, an indirect wholly-owned subsidiary of the Company, issued US$750 million perpetual subordinated guaranteed securities. The securities are non-callable in the first 5.5 years and entitle its holders distributions at a distribution rate of 4.00% per annum with reset every 5 years from year 5.5 and fixed step-up margins at year 10.5 and year 25.5. CAS Capital No. 1 Limited has the right to redeem the securities from holders and defer the payment of distributions under certain circumstances in accordance with the terms and conditions of the securities. The securities are listed on the Singapore Exchange Securities Trading Limited and are irrevocably and unconditionally guaranteed by CAS Holding No. 1 Limited, a direct wholly-owned subsidiary of the Company.

The perpetual capital securities are classified as equity.

13 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 "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 Share Stapled Units Award Schemes) during the six months ended June 30, 2021.

A summary of movements in the number of PCCW Shares and Share Stapled Units held under the PCCW Share Award Schemes and the Share Stapled Units Award Schemes are as follows:

	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 11(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

	Six months ended June 30, 2021	
	Number of PCCW Shares (Unaudited)	**Number of Share Stapled Units (Unaudited)**
As at January 1, 2021	**10,618,861**	**4,765,851**
Purchases from the market by the trustee at weighted average market price of HK$4.39 per PCCW Share	**2,714,000**	**–**
PCCW Shares/Share Stapled Units vested	**(7,973,417)**	**(2,314,964)**
As at June 30, 2021	**5,359,444**	**2,450,887**

The weighted average fair values of the PCCW Shares and the Share Stapled Units awarded during the six months ended June 30, 2021 at the dates of award were HK$4.53 (2020: HK$4.64) per PCCW Share and HK$11.06 (2020: HK$11.87) 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.

14 COMMITMENTS

a. Capital

In HK$ million	December 31, 2020 (Audited)	**June 30, 2021 (Unaudited)**
	As at	
Authorized and contracted for	2,231	**2,270**

Included in the capital commitments were commitments of HK$2,026 million and HK$1,830 million for the acquisition of property, plant and equipment as at June 30, 2021 and December 31, 2020 respectively.

Additions of property, plant and equipment were HK$1,353 million and HK$1,474 million for the six months ended June 30, 2021 and 2020 respectively.

b. Others

In HK$ million	December 31, 2020 (Audited)	**June 30, 2021 (Unaudited)**
	As at	
Purchase of rights to broadcast certain TV content	1,676	**1,203**
Operating expenditure commitments	3,455	**2,403**
	5,131	**3,606**

15 CONTINGENT LIABILITIES

In HK$ million	December 31, 2020 (Audited)	**June 30, 2021 (Unaudited)**
	As at	
Performance guarantees	1,573	**1,629**
Others	337	**323**
	1,910	**1,952**

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 underway. As at June 30, 2021, the Group was 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.

16 CHARGE ON ASSETS

Securities pledged for certain banking facilities includes:

In HK$ million	As at December 31, 2020 (Audited)	As at June 30, 2021 (Unaudited)
Property, plant and equipment	2,290	**2,084**
Investment properties	3,617	**3,558**
Properties held for/under development	2,229	**2,272**
Restricted cash	11	**9**
Cash and cash equivalents	164	**196**
	8,311	**8,119**

17 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, 2020 (Unaudited)	Six months ended June 30, 2021 (Unaudited)
Telecommunications service fees, facility management service charges and interest income received or receivable from joint ventures	a	22	**20**
Telecommunications service fees, connectivity service fees, interest income, contact center services charges, equipment sales and other costs recharge received or receivable from associates	a	11	**11**
Telecommunications service fees, system integration service fees and data center service fees received or receivable from a substantial shareholder	a	57	**93**
Telecommunications service fees, equipment purchase costs, outsourcing fees, rental charges and interest expense paid or payable to joint ventures	a	144	**130**
Telecommunications service fees, data center service fees and facility management service charges paid or payable to a substantial shareholder	a	50	**62**
Telecommunications service fees, data center service fees, connectivity service fees, equipment sales, insurance premium, insurance agency service charges, rental income, system integration services fees, advertising fees and other costs recharge received or receivable from related parties under a common shareholder with the Company	a	29	**54**
Insurance premium and rental charges paid or payable to related parties under a common shareholder with the Company	a	–	**47**
Disposal of assets classified as held for sale to a related party under a common shareholder with the Company	a	–	**132**
Key management compensation	b	51	**61**

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.

17 RELATED PARTY TRANSACTIONS *(CONTINUED)*

b. Details of key management compensation

In HK$ million	Six months ended June 30, 2020 (Unaudited)	**2021 (Unaudited)**
Salaries and other short-term employee benefits	40	**51**
Share-based compensation	10	**9**
Post-employment benefits	1	**1**
	51	**61**

18 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.

This unaudited condensed consolidated interim financial information does not include all financial risk management information and disclosures as required in the Group's annual consolidated financial statements. It should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2020. There have been no material changes in the financial management policies and practices since December 31, 2020.

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.

18 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, 2020 (Audited)			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI[1] (non-current)				
– Unlisted securities	–	–	124	124
Financial assets at FVPL (non-current)				
– Listed securities	104	–	–	104
– Unlisted securities	–	–	653	653
Derivative financial instruments (non-current)	–	243	–	243
Total assets	104	243	777	1,124
Liabilities				
Derivative financial instruments (current)	–	(29)	–	(29)
Derivative financial instruments (non-current)	–	(128)	(9)	(137)
Total liabilities	–	(157)	(9)	(166)

In HK$ million	**As at June 30, 2021 (Unaudited)**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at FVOCI[1] (non-current)				
– Unlisted securities	**–**	**–**	**124**	**124**
Financial assets at FVPL (non-current)				
– Listed securities	**41**	**–**	**–**	**41**
– Unlisted securities	**–**	**–**	**947**	**947**
Derivative financial instruments (non-current)	**–**	**148**	**–**	**148**
Derivative financial instruments (current)	**–**	**30**	**–**	**30**
Total assets	**41**	**178**	**1,071**	**1,290**
Liabilities				
Derivative financial instruments (current)	**–**	**(3)**	**–**	**(3)**
Derivative financial instruments (non-current)	**–**	**(205)**	**(9)**	**(214)**
Total liabilities	**–**	**(208)**	**(9)**	**(217)**

Note:
1 "FVOCI" refers to fair value through other comprehensive income

18 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Estimation of fair values *(continued)*

Instruments included in level 1 comprised investments in listed instruments classified as financial assets at FVPL.

Instruments included in level 2 comprised mainly 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, and the OTT Preference Shares Derivative (as defined in note 38(a) of the Group's annual consolidated financial statements for the year ended December 31, 2020) 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 foreign exchange rates and interest 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 were:

i. OTT Preference Shares Derivative

– Underlying OTT Preference Share (as defined in note 38(a) of the Group's annual consolidated financial statements for the year ended December 31, 2020) price: US$10.0 (December 31, 2020: US$10.0)
– Liquidity discount: 17.0% (December 31, 2020: 19.0%)

ii. Other unlisted investments

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.

18 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, 2020 and 2021.

There were no material changes in valuation techniques during the six months ended June 30, 2020 and 2021.

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

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 (losses)/gains, net	–	–	(7)	–
Accretion on liability recognized in finance costs	–	–	(2)	–
Disposals	–	(12)	–	–
At June 30,	124	808	(46)	(14)

In HK$ million	**Six months ended June 30, 2021 (Unaudited)**		
	Financial assets at FVOCI – unlisted securities	**Financial assets at FVPL – unlisted securities**	**Derivative financial instruments – OTT Preference Shares Derivative**
At January 1,	**124**	**653**	**(9)**
Additions	**–**	**367**	**–**
Fair value gain recognized in other (losses)/gains, net	**–**	**13**	**–**
Disposals	**–**	**(86)**	**–**
At June 30,	**124**	**947**	**(9)**

18 FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Group's valuation process

The Group performs and monitors the valuations of financial instruments 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.

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, 2020 and June 30, 2021 except as follows:

In HK$ million	As at			
	December 31, 2020 (Audited)		**June 30, 2021 (Unaudited)**	
	Carrying amount	Fair value	**Carrying amount**	**Fair value**
Short-term borrowings	2,370	2,370	**5,135**	**5,226**
Long-term borrowings	54,319	55,872	**53,193**	**54,596**

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

19 CHANGE IN OWNERSHIP INTERESTS IN PCPD WITHOUT A LOSS OF CONTROL

On March 24, 2021, PCPD completed the issuance of rights shares on the basis of one rights share for every two ordinary shares held by the then existing shareholders of PCPD. Upon completion, the Company's economic interest in PCPD decreased from approximately 40.0% to approximately 31.2%, resulting in an increase in non-controlling interests attributable to PCPD of HK$500 million. Management has assessed that the Company continues to maintain de facto control over PCPD as at and for the six months ended June 30, 2021. Such assessment involved significant judgements which were based on an analysis of various indicators, such as the percentage of ownership interest and voting right held, the representation on the PCPD's board of directors and various other factors including the relationship of key management personnel of PCPD and the Group, applicable statutes and regulations, and the practical ability to exercise control.

20 SUBSEQUENT EVENT

On July 26, 2021, a wholly-owned subsidiary of the Company entered into a share purchase agreement with an independent third party for the sale of certain carrier-neutral colocation services business of the Group (the "Data Center Business") at a consideration of US$750 million (equivalent to approximately HK$5,850 million), subject to adjustments related to the balances of cash, indebtedness and working capital of the Data Center Business at the date of completion. The completion of the transaction is subject to the fulfillment of the conditions precedent as set out in the share purchase agreement. It is anticipated that the Group will recognize a gain of not less than US$180 million (equivalent to approximately HK$1,404 million) upon the completion of the transaction.

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, 2021, 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	–	–	462,287,134 *(Note 1(a))*	1,928,842,224 *(Note 1(b))*	2,391,129,358	30.93%
Srinivas Bangalore Gangaiah	3,614,861	–	–	701,124 *(Note 2)*	4,315,985	0.06%
Hui Hon Hing, Susanna	8,495,690	–	–	2,054,006 *(Note 2)*	10,549,696	0.14%
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, Eisner Investments Limited ("Eisner") held 38,222,413 Shares, and Trade Champion Limited, a wholly-owned subsidiary of Excel Global Holdings Limited ("Excel Global"), held 154,592,765 Shares. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink, Eisner and Excel Global.

   (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:

	Number of Share Stapled Units held					
Name of Director/Chief Executive	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of Share Stapled Units in issue
Li Tzar Kai, Richard	–	–	66,247,614 *(Note 1(a))*	158,764,423 *(Note 1(b))*	225,012,037	2.97%
Srinivas Bangalore Gangaiah	50,000	–	–	–	50,000	0.0007%
Hui Hon Hing, Susanna	4,344,539	–	–	812,389 *(Note 2)*	5,156,928	0.07%
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. Pacific Century Premium Developments Limited ("PCPD")

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

	Number of ordinary shares of PCPD held					
Name of Director/Chief Executive	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of shares of PCPD in issue
Li Tzar Kai, Richard	–	–	207,267,814 *(Note 1(a))*	402,164,972 *(Note 1(b))*	609,432,786	29.90%
Srinivas Bangalore Gangaiah	239,627	–	–	–	239,627	0.01%
Lee Chi Hong, Robert	107,200 *(Note 2(a))*	55 *(Note 2(b))*	–	–	107,255	0.01%
Tse Sze Wing, Edmund	–	59,531 *(Note 3)*	–	–	59,531	0.003%

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)*

B. Pacific Century Premium Developments Limited ("PCPD") *(continued)*

Notes:

1. (a) Of these shares of PCPD, PCD held 181,520,587 shares and Eisner held 25,747,227 shares.

   (b) These interests represented:

   (i) a deemed interest in 118,093,122 shares of PCPD held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 118,093,122 shares of PCPD held by PCGH; and

   (ii) a deemed interest in 284,071,850 shares of PCPD held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 284,071,850 shares of PCPD held by PCRD.

2. (a) These shares of PCPD were held jointly by Lee Chi Hong, Robert and his spouse.

   (b) These shares of PCPD were held by the spouse of Lee Chi Hong, Robert.

3. These shares of PCPD were held by the spouse of Tse Sze Wing, Edmund.

C. 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, 2021, 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, 2021.

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, 2021, an aggregate of 2,484,476 Shares and 693,186 Share Stapled Units were awarded pursuant to the Purchase Scheme subject to certain vesting conditions, including awards in respect of 1,277,451 Shares and 194,177 Share Stapled Units made to Hui Hon Hing, Susanna, a director of the Company. Additionally, 5,779 Shares have lapsed and/or been forfeited and 4,278,886 Shares have vested; and 30,232 Share Stapled Units have lapsed and/or been forfeited and 832,742 Share Stapled Units have vested during the period. As at June 30, 2021, 4,751,230 Shares and 1,250,563 Share Stapled Units awarded pursuant to the Purchase Scheme remained unvested.

In respect of the Subscription Scheme, during the six months ended June 30, 2021, an aggregate of 3,360,240 Shares were awarded pursuant to the Subscription Scheme subject to certain vesting conditions. Additionally, 403,699 Shares have lapsed and/or been forfeited and 3,694,531 Shares have vested during the period. As at June 30, 2021, 5,443,019 Shares awarded pursuant to the Subscription Scheme remained unvested. During the six months ended June 30, 2021, 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, 2021 and June 30, 2021, 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 13 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

Pursuant to the resolutions passed by the holders of Share Stapled Units and the shareholders of the Company at their annual general meetings held on May 7, 2021 (the "Adoption Date"), the Share Stapled Units option scheme adopted by HKT Trust and HKT on November 7, 2011 (the "HKT 2011-2021 Option Scheme") was terminated and a new Share Stapled Units option scheme (the "HKT 2021-2031 Option Scheme") was adopted. The HKT 2021-2031 Option Scheme became valid and effective for a period of 10 years commencing from the Adoption Date. After the termination of the HKT 2011-2021 Option Scheme, no further Share Stapled Unit options will be granted under such scheme, but in all other respects the provisions of such scheme will remain in full force and effect. There is no material difference between the terms of the HKT 2011-2021 Option Scheme and the HKT 2021-2031 Option Scheme.

HKT Trust and HKT currently operate the HKT 2021-2031 Option Scheme, under which 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 and the HKT 2021-2031 Option Scheme since their adoption and up to and including its date of termination (in respect of the HKT 2011-2021 Option Scheme) and June 30, 2021 (in respect of the HKT 2021-2031 Option Scheme).

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, 2021, an aggregate of 453,882 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 319,795 Share Stapled Units made to Hui Hon Hing, Susanna, a director of the Company. Additionally, no Share Stapled Units have lapsed and/or been forfeited and 411,525 Share Stapled Units have vested during the period. As at June 30, 2021, an aggregate of 656,558 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, 2021, an aggregate of 1,086,218 Share Stapled Units were awarded pursuant to the HKT Share Stapled Units Subscription Scheme subject to certain vesting conditions. Additionally, 75,025 Share Stapled Units have lapsed and/or been forfeited and 1,070,697 Share Stapled Units have vested during the period. As at June 30, 2021, an aggregate of 1,627,539 Share Stapled Units awarded pursuant to the HKT Share Stapled Units Subscription Scheme remained unvested.

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

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

B. Share Stapled Units Award Schemes *(continued)*

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 13 to the unaudited condensed consolidated interim financial information.

Pursuant to the relevant scheme rules, the existing term of each of the HKT Share Stapled Units Award Schemes is due to expire on October 10, 2021. In order to enable HKT to continue granting awards of Share Stapled Units under the HKT Share Stapled Units Award Schemes, on August 5, 2021, the HKT Board approved the extension of the duration of each of the HKT Share Stapled Units Award Schemes for a period of 10 years from October 11, 2021. As a result of such extension, each of the HKT Share Stapled Units Award Schemes shall be valid and effective for a further term of 10 years commencing from October 11, 2021, expiring on October 10, 2031. Save as disclosed above, all other terms and conditions of the HKT Share Stapled Units Award Schemes will remain unchanged and shall continue in full force and effect after such extension.

3. Pacific Century Premium Developments Limited

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, 2021.

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, 2021, 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%

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.

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

As at June 30, 2021, 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, 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2021, 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, 2021. 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, 2021. 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 7, 2021 by video/audio conferencing, and such directors, including 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 2021 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 2021
This Interim Report 2021 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 2021 using electronic means through the website of the Company may request a printed copy, or
B) received the Interim Report 2021 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 2021) using electronic means through the Company's website and who, for any reason, have difficulty in receiving or gaining access to the Interim Report 2021 will promptly, upon request in writing or by email to the Company's Share Registrar, be sent the Interim Report 2021 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 and securities issued by subsidiaries of the Company are listed on the Singapore Exchange Securities Trading Limited and the Taipei Exchange (as the case may be).

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
Website: www.computershare.com/hk/contact

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

SHARE INFORMATION

Board lot:	1,000 shares
Issued shares as at June 30, 2021:	7,729,638,249 shares

DIVIDEND

Interim dividend per ordinary share for the six months ended June 30, 2021:	9.36 HK cents

FINANCIAL CALENDAR

Announcement of 2021 Interim Results	August 6, 2021
Closure of register of members (for determination of shareholders who qualify for 2021 interim dividend)	August 23-24, 2021 (both days inclusive)
Record date for 2021 interim dividend	August 24, 2021
Payment of 2021 interim dividend	On or around September 3, 2021

INVESTOR RELATIONS
Marco Wong
PCCW Limited
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Email: ir@pccw.com

WEBSITE
www.pccw.com

Forward-Looking Statements

This interim report contains forward-looking statements. These forward-looking statements include, without limitation, statements relating to revenues, 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 Group 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;
- possible negative effects of potentially new regulatory developments;
- increased competition in the media markets and the IT services markets in which PCCW Group operates;
- 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.

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