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PCCW Limited
電訊盈科有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 0008)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2020**

**DECLARATION OF SPECIAL INTERIM DIVIDEND
BY WAY OF A DISTRIBUTION IN SPECIE OF SHARES
IN PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED**

**CONVERSION OF NOTES CONVERTIBLE INTO SHARES OF
PACIFIC CENTURY PREMIUM DEVELOPMENTS LIMITED**

The directors (“Directors”) of PCCW Limited (“PCCW” or the “Company”) hereby announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended June 30, 2020. This condensed consolidated interim financial information has not been audited, but has been reviewed by the Company’s Audit Committee and, in accordance with the Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants, by the Company’s independent auditor, PricewaterhouseCoopers.

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2020

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

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

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

- Interim cash dividend of 9.18 HK cents per Share

DECLARATION OF SPECIAL INTERIM DIVIDEND BY WAY OF A DISTRIBUTION IN SPECIE OF PCPD SHARES

The Company is pleased to announce that, on August 6, 2020, the Board has resolved to declare a special interim dividend in the form of the Distribution involving a distribution in specie of 657,019,246 PCPD Shares held by the Group to the Qualifying Shareholders in proportion to their then respective shareholdings in the Company on the basis of 85 PCPD Shares for every 1,000 Shares held by the Qualifying Shareholders, provided however that if the Bondholders' Consent is obtained by Tuesday, September 1, 2020, the amount of the Distribution will be increased by the amount of the Adjusted Distribution to a total of 834,800,925 PCPD Shares on the basis of 108 PCPD Shares for every 1,000 Shares held by the Qualifying Shareholders. If the Bondholders' Consent is not obtained by Tuesday, September 1, 2020, the Distribution will not be increased by the amount of the Adjusted Distribution and will remain in the amount of 657,019,246 PCPD Shares on the basis of 85 PCPD Shares for every 1,000 Shares held by the Qualifying Shareholders.

The Distribution

The Distribution will be available to Shareholders whose names appear on the register of members of the Company on the Record Date, but will not be extended to any Non-Qualifying Overseas Shareholders. The PCPD Shares which would otherwise have been distributed to such Non-Qualifying Overseas Shareholders will be sold in the market as soon as practicable, and the proceeds of sale, after deduction of expenses and duties, will be distributed in Hong Kong dollars to the relevant Non-Qualifying Overseas Shareholders at their own risk, except that net proceeds less than HK\$100 will be retained for the benefit of the Company.

A Qualifying Shareholder holding less than an integral multiple of 1,000 Shares (for the avoidance of doubt, including a Qualifying Shareholder holding less than 1,000 Shares) may be entitled to a pro-rata number of PCPD Shares in respect of such holdings less than an integral multiple of 1,000 Shares, being rounded down to the nearest whole number of PCPD Shares.

No fraction of a PCPD Share will be distributed. Fractional entitlements to the PCPD Shares and any PCPD Shares left undistributed under the Distribution (other than any PCPD Shares sold for the benefit of the Non-Qualifying Overseas Shareholders) may be aggregated and held or sold for the benefit of the Company.

For determining entitlements to the Distribution, the register of members of the Company will be closed from Monday, September 7, 2020 to Tuesday, September 8, 2020, both days inclusive, during which period no transfer of Shares will be registered. The last day for trading in Shares on the Stock Exchange with entitlements to the Distribution is expected to be Wednesday, September 2, 2020. The Record Date for determining a Shareholder's entitlements to the Distribution is Tuesday, September 8, 2020.

PCPD will seek the Bondholders' Consent as soon as practicable.

There is no assurance that the Bondholders' Consent will be given, so Shareholders should be aware that the Adjusted Distribution may or may not be distributed.

CONVERSION OF THE CONVERTIBLE NOTES INTO PCPD SHARES

Reference is made to the announcement published by PCPD on May 16, 2012 in respect of the Convertible Notes. Simultaneously with the making of the Distribution, the Company (through Asian Motion) will effect a conversion of the Convertible Notes held by it in an aggregate amount of HK\$592,533,333.20, which is convertible into 1,185,066,666 PCPD Shares upon full conversion, and which will in part be the subject of the Distribution.

EFFECT OF THE DISTRIBUTION AND THE CONVERSION

As at the date of this announcement, the Company, through Asian Motion, is indirectly interested in 285,088,666 PCPD Shares (representing approximately 70.88% of all issued PCPD Shares). The Conversion will be effected simultaneously with the making of the Distribution. Immediately upon completion of the Conversion and the Distribution, the Company's shareholding in PCPD will be reduced to approximately 51%, provided however that if the Bondholders' Consent is obtained by Tuesday, September 1, 2020, the amount of the Distribution will be increased by the amount of the Adjusted Distribution such that the Company's shareholding in PCPD would instead be reduced to approximately 40%. If the Bondholders' Consent is not obtained by Tuesday, September 1, 2020, the Distribution will not be increased by the amount of the Adjusted Distribution and the Company's shareholding in PCPD would be reduced to approximately 51% after the Distribution.

REASONS FOR AND BENEFITS OF THE DISTRIBUTION

The Board considers that the Distribution will allow the Shareholders to directly participate in the future growth and prospects of PCPD. Furthermore, the increased liquidity and public float in PCPD should help to unlock value as well as enable PCPD to independently fund its future growth. The Distribution will also simplify the business and reporting of the Company enabling it to focus investors on its core businesses of telecommunications, media and technology.

Note:

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

WARNING

There is no assurance that the Bondholders' Consent will be given, so Shareholders should be aware that the Adjusted Distribution may or may not be distributed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company. If Shareholders and potential investors are in any doubt as to their position or the action they should take, they should consult their licensed security dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers.

MANAGEMENT REVIEW

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

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

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

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

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

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

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

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

The board of Directors (the "Board") has resolved to declare an interim cash dividend of 9.18 HK cents per Share for the six months ended June 30, 2020.

OUTLOOK

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

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

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

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

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

FINANCIAL REVIEW BY SEGMENT

For the six months ended				Better/ (Worse)
HK\$ million				
	Jun 30,	Dec 31,	Jun 30,	
	2019	2019	2020	y-o-y
Revenue				
HKT	15,109	17,994	14,606	(3)%
HKT (excluding Mobile Product Sales)	13,768	15,935	13,636	(1)%
Mobile Product Sales	1,341	2,059	970	(28)%
Now TV Business	1,358	1,327	1,270	(6)%
OTT Business	441	630	502	14%
Free TV Business	127	132	130	2%
Solutions Business	1,717	2,501	1,907	11%
Eliminations	(2,100)	(2,730)	(1,736)	17%
Core revenue⁵	16,652	19,854	16,679	0%
PCPD	207	808	1,602	674%
Consolidated revenue	16,859	20,662	18,281	8%
Cost of sales	(8,149)	(10,758)	(9,689)	(19)%
Operating costs before depreciation, amortization, and loss on disposal of property, plant and equipment, net	(3,423)	(2,810)	(3,176)	7%
EBITDA¹				
HKT	5,733	7,084	5,546	(3)%
Now TV Business	204	250	198	(3)%
OTT Business	(235)	(79)	(81)	66%
Free TV Business	(143)	(130)	(95)	34%
Solutions Business	293	721	225	(23)%
Other Businesses	(233)	(276)	(248)	(6)%
Eliminations	(312)	(538)	(149)	52%
Core EBITDA^{1,5}	5,307	7,032	5,396	2%
PCPD	(20)	62	20	n/a
Consolidated EBITDA¹	5,287	7,094	5,416	2%
Core EBITDA^{1,5} Margin	32%	35%	32%	
Consolidated EBITDA¹ Margin	31%	34%	30%	
Depreciation	(1,604)	(1,761)	(1,772)	(10)%
Amortization	(1,710)	(2,147)	(1,953)	(14)%
Loss on disposal of property, plant and equipment, net	(2)	(5)	-	n/a
Other gains/(losses), net	426	72	(61)	n/a
Interest income	40	46	35	(13)%
Finance costs	(925)	(1,033)	(998)	(8)%
Share of results of associates and joint ventures	10	23	(19)	n/a
Profit before income tax	1,522	2,289	648	(57)%
Income tax	(423)	(518)	(394)	7%
Non-controlling interests	(936)	(1,253)	(838)	10%
Profit/(Loss) attributable to equity holders of the Company				
Consolidated	163	518	(584)	n/a
Consolidated (excluding other gains/losses, net)	(263)	447	(547)	(108)%

- Note 1 EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortization, gain/loss on disposal of property, plant and equipment, investment properties, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*
- Note 2 Gross debt refers to the principal amount of short-term borrowings and long-term borrowings.*
- Note 3 Group capital expenditure includes additions to property, plant and equipment and interests in leasehold land.*
- Note 4 Adjusted funds flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. HKT's adjusted funds flow is computed in accordance with the above definition using financial information derived from HKT's unaudited condensed consolidated interim financial information. The adjusted funds flow may be used for debt repayment.*
- Note 5 Core revenue refers to consolidated revenue excluding PCPD, the Group's property development and investment business; and core EBITDA refers to the consolidated EBITDA excluding PCPD.*

HKT

For the six months ended HK\$ million	Jun 30, 2019	Dec 31, 2019	Jun 30, 2020	Better/ (Worse) y-o-y
HKT Revenue	15,109	17,994	14,606	(3)%
HKT (excluding Mobile Product Sales)	13,768	15,935	13,636	(1)%
Mobile Product Sales	1,341	2,059	970	(28)%
HKT EBITDA¹	5,733	7,084	5,546	(3)%
HKT EBITDA¹ margin	38%	39%	38%	
HKT Adjusted Funds Flow⁴	2,272	3,057	2,280	0%

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

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

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

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

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

HKT announced an interim distribution of 30.10 HK cents per share stapled unit.

For a more detailed review of the performance of HKT, including detailed reconciliation between HKT’s EBITDA and adjusted funds flow as well as HKT’s EBITDA and HKT’s profit before income tax, please refer to its 2020 interim results announcement released on August 5, 2020.

Now TV Business

For the six months ended HK\$ million	Jun 30, 2019	Dec 31, 2019	Jun 30, 2020	Better/ (Worse) y-o-y
Now TV Business Revenue	1,358	1,327	1,270	(6)%
Now TV Business EBITDA¹	204	250	198	(3)%
Now TV Business EBITDA¹ margin	15%	19%	16%	

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

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

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

OTT Business

For the six months ended HK\$ million	Jun 30, 2019	Dec 31, 2019	Jun 30, 2020	Better/ (Worse) y-o-y
OTT Business Revenue	441	630	502	14%
OTT Business EBITDA¹	(235)	(79)	(81)	66%

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

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

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

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

Free TV Business

For the six months ended HK\$ million	Jun 30, 2019	Dec 31, 2019	Jun 30, 2020	Better/ (Worse) y-o-y
Free TV Business Revenue	127	132	130	2%
Free TV Business EBITDA¹	(143)	(130)	(95)	34%

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

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

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

Solutions Business

For the six months ended HK\$ million	Jun 30, 2019	Dec 31, 2019	Jun 30, 2020	Better/ (Worse) y-o-y
Solutions Business Revenue	1,717	2,501	1,907	11%
Solutions Business EBITDA¹	293	721	225	(23)%
<i>Solutions Business EBITDA¹ margin</i>	<i>17%</i>	<i>29%</i>	<i>12%</i>	

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

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

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

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

PCPD

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

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

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

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

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

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

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

Other Businesses

Other Businesses primarily comprises corporate support functions. The EBITDA cost of the Group's Other Businesses for the six months ended June 30, 2020 was HK\$248 million (June 30, 2019: HK\$233 million).

Eliminations

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

Costs

Cost of Sales

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

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

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

General and Administrative Expenses

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

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

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

EBITDA¹

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

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

Interest Income and Finance Costs

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

Income Tax

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

Non-controlling Interests

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

Consolidated Profit/Loss Attributable to Equity Holders of the Company

Consolidated loss attributable to equity holders of the Company for the six months ended June 30, 2020 was HK\$584 million (Consolidated profit attributable to equity holders of the Company as of June 30, 2019: HK\$163 million).

LIQUIDITY AND CAPITAL RESOURCES

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

The Group's gross debt² was HK\$57,023 million as at June 30, 2020 (December 31, 2019: HK\$55,499 million). Cash and short-term deposits totaled HK\$5,397 million as at June 30, 2020 (December 31, 2019: HK\$5,822 million).

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

The Group's gross debt² to total assets was 58% as at June 30, 2020 (December 31, 2019: 56%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2020, Hong Kong Telecommunications (HKT) Limited, an indirect non-wholly owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB).

CAPITAL EXPENDITURE³

Group capital expenditure for the six months ended June 30, 2020 was HK\$1,474 million (June 30, 2019: HK\$2,055 million), of which HKT accounted for about 81% (June 30, 2019: 65%).

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

The Group will continue to invest in building digital capabilities to support its existing businesses and enable its growth in new areas and prudently invest in building a 5G network taking into account the prevailing market conditions, and using assessment criteria including internal rate of return, net present value and payback period.

HEDGING

Market risk arises from foreign currency and interest rate exposure related to investments and borrowings. As a matter of policy, the Group continues to manage the market risk directly relating to its operations and financing and does not undertake any speculative derivative trading activities. The Group determines appropriate risk management activities with the aim of prudently managing the market risk associated with transactions undertaken in the normal course of the Group's business. All treasury risk management activities are carried out in accordance with the Group's policies and guidelines, which are reviewed on a regular basis.

Around three quarters of the Group's consolidated revenue and costs are denominated in Hong Kong dollars. For those operations with revenues denominated in foreign currencies, the related costs and expenses are usually denominated in the same foreign currencies and hence provide a natural hedge against each other. Therefore, the Group is not exposed to significant foreign currency fluctuation risk from operations.

As for financing, a significant portion of the Group's debt is denominated in foreign currencies including United States dollars. Accordingly, the Group has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at June 30, 2020, the majority of the forward and swap contracts were designated as cash flow hedges and/or fair value hedges for the related borrowings of the Group.

As a result, the impacts of these operational and financial risks to the Group are considered not material.

CHARGE ON ASSETS

As at June 30, 2020, certain assets of the Group with an aggregate carrying value of HK\$8,015 million (December 31, 2019: HK\$10,310 million) were pledged to secure certain banking facilities of the Group.

CONTINGENT LIABILITIES

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

The Group operates across several jurisdictions and is subject to certain queries from relevant tax authorities in respect of tax treatment of certain matters currently under way. As at June 30, 2020, the Group is unable to ascertain the likelihood of the outcome of these tax queries, other than those provided for. Based on the currently available information and assessment, the Directors are of the opinion that these cases will not have a significant financial impact to the Group.

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

HUMAN RESOURCES

The Group had over 22,800 employees as at June 30, 2020 (June 30, 2019: 23,400) located in 50 countries and cities. About 65% of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines and Singapore. The Group has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve the Group's business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units and performance ratings of employees.

INTERIM CASH DIVIDEND

The Board has resolved to declare an interim cash dividend of 9.18 HK cents (June 30, 2019: 9.18 HK cents) per Share for the six months ended June 30, 2020 to Shareholders whose names appear on the register of members of the Company on Tuesday, September 8, 2020, payable on or around Thursday, October 8, 2020.

CLOSURE OF REGISTER OF MEMBERS FOR INTERIM CASH DIVIDEND

The record date for the interim cash dividend will be Tuesday, September 8, 2020. The Company's register of members will be closed from Monday, September 7, 2020 to Tuesday, September 8, 2020 (both days inclusive) in order to determine entitlements to the interim cash dividend. During such period, no transfer of Shares will be effected. In order to qualify for the interim cash dividend, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Friday, September 4, 2020. Dividend warrants will be despatched to Shareholders on or around Thursday, October 8, 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated interim financial information of the Group for the six months ended June 30, 2020. Such condensed consolidated interim financial information has not been audited but has been reviewed by the Company's independent auditor.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended June 30, 2020. Having regard to the mandatory global travel restrictions in connection with the COVID-19 pandemic, certain Directors participated in the annual general meeting of the Company on May 8, 2020 by video/audio conferencing, and such Directors, including the Chairman of the Board and the chairpersons of the Board committees, were available to answer questions at the meeting pursuant to Code Provision E.1.2 of the CG Code.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.pccw.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2020 interim report will be despatched to Shareholders and available on the above websites in due course.

DECLARATION OF SPECIAL INTERIM DIVIDEND BY WAY OF A DISTRIBUTION IN SPECIE OF PCPD SHARES

The Company is pleased to announce that, on August 6, 2020, the Board has resolved to declare a special interim dividend in the form of the Distribution involving a distribution in specie of 657,019,246 PCPD Shares held by the Group to the Qualifying Shareholders in proportion to their then respective shareholdings in the Company on the basis of 85 PCPD Shares for every 1,000 Shares held by the Qualifying Shareholders, provided however that if the Bondholders' Consent is obtained by Tuesday, September 1, 2020, the amount of the Distribution will be increased by the amount of the Adjusted Distribution to a total of 834,800,925 PCPD Shares on the basis of 108 PCPD Shares for every 1,000 Shares held by the Qualifying Shareholders. If the Bondholders' Consent is not obtained by Tuesday, September 1, 2020, the Distribution will not be increased by the amount of the Adjusted Distribution and will remain in the amount of 657,019,246 PCPD Shares on the basis of 85 PCPD Shares for every 1,000 Shares held by the Qualifying Shareholders.

The Distribution

The Distribution will be available to Shareholders whose names appear on the register of members of the Company on the Record Date, but will not be extended to any Non-Qualifying Overseas Shareholders. The PCPD Shares which would otherwise have been distributed to such Non-Qualifying Overseas Shareholders will be sold in the market as soon as practicable, and the proceeds of sale, after deduction of expenses and duties, will be distributed in Hong Kong dollars to the relevant Non-Qualifying Overseas Shareholders at their own risk, except that net proceeds less than HK\$100 will be retained for the benefit of the Company.

A Qualifying Shareholder holding less than an integral multiple of 1,000 Shares (for the avoidance of doubt, including a Qualifying Shareholder holding less than 1,000 Shares) may be entitled to a pro-rata number of PCPD Shares in respect of such holdings less than an integral multiple of 1,000 Shares, being rounded down to the nearest whole number of PCPD Shares.

No fraction of a PCPD Share will be distributed. Fractional entitlements to the PCPD Shares and any PCPD Shares left undistributed under the Distribution (other than any PCPD Shares sold for the benefit of the Non-Qualifying Overseas Shareholders) may be aggregated and held or sold for the benefit of the Company.

For determining entitlements to the Distribution, the register of members of the Company will be closed from Monday, September 7, 2020 to Tuesday, September 8, 2020, both days inclusive, during which period no transfer of Shares will be registered. The last day for trading in Shares on the Stock Exchange with entitlements to the Distribution is expected to be Wednesday, September 2, 2020. The Record Date for determining a Shareholder's entitlements to the Distribution is Tuesday, September 8, 2020. A tentative timetable for the Distribution is set out further below.

PCPD will seek the Bondholders' Consent as soon as practicable.

There is no assurance that the Bondholders' Consent will be given, so Shareholders should be aware that the Adjusted Distribution may or may not be distributed.

CONVERSION OF THE CONVERTIBLE NOTES INTO PCPD SHARES

Reference is made to the announcement published by PCPD on May 16, 2012 in respect of the Convertible Notes. Simultaneously with the making of the Distribution, the Company (through Asian Motion) will effect a conversion of the Convertible Notes held by it in an aggregate amount of HK\$592,533,333.20, which is convertible into 1,185,066,666 PCPD Shares upon full conversion, and which will in part be the subject of the Distribution.

EFFECT OF THE DISTRIBUTION AND THE CONVERSION

As at the date of this announcement, the Company, through Asian Motion, is indirectly interested in 285,088,666 PCPD Shares (representing approximately 70.88% of all issued PCPD Shares). The Conversion will be effected simultaneously with the making of the Distribution. Immediately upon completion of the Conversion and the Distribution, the Company's shareholding in PCPD will be reduced to approximately 51%, provided however that if the Bondholders' Consent is obtained by Tuesday, September 1, 2020, the amount of the Distribution will be increased by the amount of the Adjusted Distribution such that the Company's shareholding in PCPD would instead be reduced to approximately 40%. If the Bondholders' Consent is not obtained by Tuesday, September 1, 2020, the Distribution will not be increased by the amount of the Adjusted Distribution and the Company's shareholding in PCPD would be reduced to approximately 51% after the Distribution.

REASONS FOR AND BENEFITS OF THE DISTRIBUTION

The Board considers that the Distribution will allow the Shareholders to directly participate in the future growth and prospects of PCPD. Furthermore, the increased liquidity and public float in PCPD should help to unlock value as well as enable PCPD to independently fund its future growth. The Distribution will also simplify the business and reporting of the Company enabling it to focus investors on its core businesses of telecommunications, media and technology. It is currently expected that PCPD will continue to be consolidated into the Group's accounts following the Distribution.

QUALIFYING SHAREHOLDERS AND LOGISTICAL DETAILS

CCASS settlement

Investors holding Shares through CCASS Participants are expected to receive the Distribution in the form of PCPD Shares through their respective stockbrokers or custodians or through their CCASS Investor Participant stock accounts. Such investors should seek the advice of their respective stockbrokers or other professional advisers in case of doubt.

Odd lot matching service for the PCPD Shares

In order to facilitate the trading of odd lots of the PCPD Shares arising from the Distribution, the Company has appointed Computershare Hong Kong Investor Services Limited as an agent to provide matching service, on a best efforts basis, to those Shareholders who wish to acquire odd lots of the PCPD Shares to make up a full board lot, or to dispose of their holding of odd lots of the PCPD Shares. Shareholders who wish to take advantage of this service should contact Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong or at telephone number (852) 2862 8555 from 9:00 a.m. on Thursday, October 8, 2020 to 4:10 p.m. on Thursday, October 29, 2020.

Holders of odd lots of the PCPD Shares should note that the matching of the sale and purchase of odd lots of the PCPD Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Qualifying Shareholders and Non-Qualifying Overseas Shareholders

The Distribution will be available to the Shareholders whose names appear on the register of members of the Company on the Record Date, but will not be extended to any Non-Qualifying Overseas Shareholders.

Shareholders with registered addresses outside Hong Kong

Based on the register of members of the Company as at July 31, 2020, there were a total of 554 Shareholders whose addresses as shown on the register of members of the Company were outside Hong Kong, comprising 28 overseas jurisdictions, including Australia, Bahamas, British Virgin Islands, Canada, France, Germany, Greece, India, Indonesia, Ireland, Japan, Macau, Malaysia, Nepal, New Zealand, Norway, Pakistan, Panama, Philippines, PRC, Singapore, Spain, Switzerland, Taiwan, Thailand, United Arab Emirates, United Kingdom and United States of America, with a total shareholding of 38,874,703 Shares, representing in aggregate approximately 0.50% of the total number of issued Shares as at the close of business on July 31, 2020.

The Company had engaged legal counsels to ascertain whether or not there are any legal or regulatory requirements or restrictions which would make extending the Distribution to the Shareholders whose addresses as shown on the register of members of the Company on the Record Date are located in the aforesaid overseas jurisdictions administratively prohibitive or inexpedient. Having considered such advice provided by the legal counsels in the aforementioned overseas jurisdictions, the Directors are of the view that:

- (a) with respect to British Virgin Islands, France, Germany, Greece, Indonesia, Ireland, Japan, Macau, Malaysia, New Zealand, Norway, Pakistan, Panama, Philippines, PRC, Singapore, Spain, Switzerland, Taiwan, Thailand and United Kingdom, there are no legal or regulatory restrictions in, or the Company has met the relevant exemption requirement(s) in such overseas jurisdictions which would exempt the Company from the obtaining of approval from the relevant regulatory authorities under the applicable laws and regulations of, such overseas jurisdictions for the purpose of the Distribution. The Distribution will therefore be extended to the Shareholders whose addresses as shown on the register of members of the Company on the Record Date are located in such overseas jurisdictions;
- (b) with respect to Australia, Bahamas, Canada, India, Nepal, United Arab Emirates and United States of America, on account of the relevant legal or regulatory requirements or restrictions applicable to the Distribution in such overseas jurisdictions, it is necessary or expedient for the Company to exclude Shareholders whose addresses as shown on the register of members of the Company on the Record Date are located in such overseas jurisdictions from the Distribution.

Notwithstanding the above, the Board reserves the right to exclude any other Shareholder whose address as shown on the register of members of the Company on the Record Date is located in any other overseas jurisdiction from the Distribution, if the Board believes that such distribution may be administratively prohibitive or inexpedient or violate any applicable legal and/or regulatory requirements in the relevant jurisdiction. If and when necessary, the Company will separately notify any such Shareholder of the arrangement regarding the Distribution.

Arrangements for Non-Qualifying Overseas Shareholders

As the Distribution will not be extended to any Non-Qualifying Overseas Shareholders, arrangements will be made for the PCPD Shares which would otherwise have been distributed to such Non-Qualifying Overseas Shareholders to be sold in the market as soon as practicable, and the proceeds of sale, after deduction of expenses and duties, will be distributed in Hong Kong dollars to the relevant Non-Qualifying Overseas Shareholders at their own risk, except that net proceeds less than HK\$100 will be retained for the benefit of the Company.

Stock Connect Investors

The PCPD Shares are not eligible for southbound trading under the Stock Connect. Stock Connect Investors may sell the PCPD Shares on the Stock Exchange through Stock Connect, but they will not be allowed to buy PCPD Shares. Stock Connect Investors should seek advice from their intermediary (including broker, custodian, nominee or CCASS Participant) and/or other professional advisers for details of the logistical arrangements as required.

TENTATIVE TIMETABLE FOR THE DISTRIBUTION

	On or about
Latest time for obtaining the Bondholders' Consent in order for the Adjusted Distribution to be included in the Distribution	Tuesday, September 1, 2020
Last day of dealing in the Shares on a cum-entitlement basis	Wednesday, September 2, 2020
Commencement of dealing in the Shares on an ex-entitlement basis	Thursday, September 3, 2020
Latest time for lodging transfer of the Shares in order to qualify for the Distribution	4:30 p.m. on Friday, September 4, 2020
Closure of register of members and transfer book of the Company	Monday, September 7, 2020 to Tuesday, September 8, 2020
Record Date	Tuesday, September 8, 2020
Register of members of the Company re-opens	Wednesday, September 9, 2020
Expected date of the Distribution to Qualifying Shareholders	Thursday, October 8, 2020
Expected payment date to the Non-Qualifying Overseas Shareholders of the net proceeds of the sale of the PCPD Shares which they would otherwise receive pursuant to the Distribution	Tuesday, October 13, 2020

Note 1 All references to time and date in this announcement refer to Hong Kong local time and date.

Note 2 The timings are indicative only. Should there be any change to the above tentative timetable, further announcement will be made by the Company as and when appropriate.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings as set out below:

- “Adjusted Distribution” 177,781,679 PCPD Shares which would, subject to the obtaining of the Bondholders’ Consent, be distributed to the Qualifying Shareholders as part of the Distribution
- “Asian Motion” Asian Motion Limited, an investment holding company and a wholly-owned subsidiary of the Company incorporated with limited liability in the British Virgin Islands
- “Bondholders’ Consent” the consent of the holders or beneficial owners of U.S.\$700,000,000 4.75 per cent. guaranteed notes due 2022 issued by PCPD Capital Limited and guaranteed by PCPD to the change of control of PCPD if the Adjusted Distribution is included as part of the Distribution
- “CCASS Investor Participant” a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
- “CCASS Participant” any person admitted to participate in CCASS as a direct clearing participant, a general clearing participant, a custodian participant, or any CCASS Investor Participant
- “CCASS” the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
- “Conversion” the conversion of the Convertible Notes held by Asian Motion
- “Convertible Notes” the bonus convertible notes constituted by the Deed Poll and issued by PCPD on June 22, 2012, in the denomination of HK\$0.10 each, in registered form, of an aggregate amount of HK\$592,572,154.40, convertible into 1,185,144,308 PCPD Shares at an adjusted conversion price of HK\$0.50 per PCPD Share
- “Distribution” the distribution in specie by the Company of 657,019,246 PCPD Shares held by the Group to the Qualifying Shareholders in proportion to their then respective shareholdings in the Company on the basis of 85 PCPD Shares for every 1,000 Shares held by the Qualifying Shareholders, provided however that if the Bondholders’ Consent is obtained by Tuesday, September 1, 2020, the amount of such distribution in specie will be increased by the amount of the Adjusted Distribution to a total of 834,800,925 PCPD Shares on the basis of 108 PCPD Shares for every 1,000 Shares held by the Qualifying Shareholders, on the terms set out in the section headed “*Declaration of Special Interim Dividend by way of a Distribution in Specie of PCPD Shares*”

DEFINITIONS (CONTINUED)

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Non-Qualifying Overseas Shareholder(s)”	Shareholder(s) whose (respective) address(es) as shown on the register of members of the Company on the Record Date is(are) in a place outside Hong Kong which the Board on account of the relevant legal or regulatory requirements or restrictions considers necessary or expedient to exclude from the Distribution
“PCPD”	Pacific Century Premium Developments Limited, a company incorporated in Bermuda, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 0432), which is a subsidiary of the Company as at the date of this announcement
“PCPD Share(s)”	the ordinary share(s) in the denomination of HK\$0.50 each in the issued share capital of PCPD
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Qualifying Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Overseas Shareholder(s)
“Record Date”	Tuesday, September 8, 2020, being the date fixed for determining the Shareholders’ entitlements to the Distribution
“Share(s)”	the ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Connect”	the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect
“Stock Connect Investors”	the PRC southbound trading Shareholders holding the Shares through the Stock Connect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By order of the Board of
PCCW Limited
Bernadette M. Lomas
Group General Counsel and Company Secretary

Hong Kong, August 6, 2020

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2020

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2020

In HK\$ million	2019 (Unaudited)	2020 (Unaudited)
Profit for the period	1,099	254
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to consolidated income statement:		
Changes in the fair value of equity instruments at fair value through other comprehensive income	13	-
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
- exchange differences on translating foreign operations	232	(176)
- reclassification of currency translation reserve on disposal of subsidiaries	-	(1)
Cash flow hedges:		
- effective portion of changes in fair value	125	(26)
- transfer from equity to consolidated income statement	55	83
Costs of hedging	24	(1)
Other comprehensive income/(loss) for the period	449	(121)
Total comprehensive income for the period	1,548	133
Attributable to:		
Equity holders of the Company	494	(692)
Non-controlling interests	1,054	825
Total comprehensive income for the period	1,548	133

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at June 30, 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at June 30, 2020

In HK\$ million	Note*	The Group		(Additional Information) The Company	
		As at December 31, 2019 (Audited)	As at June 30, 2020 (Unaudited)	As at December 31, 2019 (Audited)	As at June 30, 2020 (Unaudited)
CAPITAL AND RESERVES					
Share capital	10	12,954	12,954	12,954	12,954
Reserves		2,584	117	19,267	18,952
Equity attributable to equity holders of the Company					
		15,538	13,071	32,221	31,906
Non-controlling interests		2,434	1,767	–	–
Total equity		17,972	14,838	32,221	31,906

* The notes referenced above pertain solely to the consolidated statement of financial position. The above Company statement of financial position as at June 30, 2020 and December 31, 2019 is presented only as additional information to this unaudited condensed consolidated interim financial information.

NOTES

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of PCCW Limited (“PCCW” or the “Company”) and its subsidiaries (collectively the “Group”) has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard (“HKAS”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2019.

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

The unaudited condensed consolidated interim financial information has been reviewed by the Company’s Audit Committee and, in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA, by the Company’s independent auditor.

The financial information relating to the year ended December 31, 2019 that is included in this unaudited condensed consolidated interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the financial statements for the year ended December 31, 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).
- The Company’s auditor has reported on those financial statements of the Group. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

1. BASIS OF PREPARATION (CONTINUED)

The preparation of the unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2019.

The accounting policies, basis of presentation and methods of computation used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of the following new or amended Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs which are first effective or available for early adoption for accounting periods beginning on or after January 1, 2020 as described below.

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

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

The Group has not early adopted any other new or amended HKFRSs and HKASs that are not yet effective for the current accounting period.

2. SEGMENT INFORMATION

The chief operating decision-maker (the “CODM”) is the Group’s senior executive management. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources and the segment information is reported below in accordance with this internal reporting.

The CODM considers the business from the product perspective and assesses the performance of the following segments:

- HKT Limited (“HKT”) is Hong Kong’s premier telecommunications service provider. The principal activities of HKT and its subsidiaries are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centers. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.
- Media Business includes interactive pay-TV services and over-the-top (“OTT”) digital media entertainment services in Hong Kong, the Asia Pacific region, and other parts of the world. The Group also operates a domestic free television service in Hong Kong.
- Solutions Business offers Information and Communications Technologies services and solutions in Hong Kong and other parts of Greater China and Asia.
- Pacific Century Premium Developments Limited (“PCPD”) covers the Group’s development and management of premium-grade property and infrastructure projects as well as premium-grade property investments.

The CODM assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortization (“EBITDA”). EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortization, gain/loss on disposal of property, plant and equipment, investment properties, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group’s share of results of associates and joint ventures.

Segment revenue, expense and segment performance include transactions between segments. Inter-segment pricing is based on similar terms to those available to other external parties for similar services. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated income statement.

2. SEGMENT INFORMATION (CONTINUED)

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

In HK\$ million	Six months ended June 30, 2019 (Unaudited)							Other [#]	Con- solidated
	Reportable segments								
	HKT	Media Business	Solutions Business	PCPD	Elimina- tions	Total			
REVENUE									
External revenue	14,320	1,254	1,079	206	–	16,859	–	16,859	
Inter-segment revenue	789	672	638	1	(2,100)	–	–	–	
Total revenue	15,109	1,926	1,717	207	(2,100)	16,859	–	16,859	
External revenue from contracts with customers: Timing of revenue recognition									
At a point in time	2,073	102	32	18	–	2,225	–	2,225	
Over time	12,217	1,152	1,047	83	–	14,499	–	14,499	
External revenue from other sources: Rental income	30	–	–	105	–	135	–	135	
	14,320	1,254	1,079	206	–	16,859	–	16,859	
RESULTS									
EBITDA	5,733	(174)	293	(20)	(312)	5,520	(233)	5,287	
In HK\$ million	Six months ended June 30, 2020 (Unaudited)								
	Reportable segments							Other [#]	Con- solidated
	HKT	Media Business	Solutions Business	PCPD	Elimina- tions	Total			
REVENUE									
External revenue	14,046	1,264	1,370	1,601	–	18,281	–	18,281	
Inter-segment revenue	560	638	537	1	(1,736)	–	–	–	
Total revenue	14,606	1,902	1,907	1,602	(1,736)	18,281	–	18,281	
External revenue from contracts with customers: Timing of revenue recognition									
At a point in time	1,789	125	31	1,361	–	3,306	–	3,306	
Over time	12,225	1,139	1,339	157	–	14,860	–	14,860	
External revenue from other sources: Rental income	32	–	–	83	–	115	–	115	
	14,046	1,264	1,370	1,601	–	18,281	–	18,281	
RESULTS									
EBITDA	5,546	22	225	20	(149)	5,664	(248)	5,416	

[#] Other primarily comprises corporate support functions.

2. SEGMENT INFORMATION (CONTINUED)

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

In HK\$ million	Six months ended	
	June 30, 2019 (Unaudited)	June 30, 2020 (Unaudited)
Total segment EBITDA	5,287	5,416
Loss on disposal of property, plant and equipment, net	(2)	–
Depreciation and amortization	(3,314)	(3,725)
Other gains/(losses), net	426	(61)
Interest income	40	35
Finance costs	(925)	(998)
Share of results of associates and joint ventures	10	(19)
Profit before income tax	1,522	648

3. OTHER GAINS/(LOSSES), NET

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

Notes:

¹ “FVPL” refers to fair value through profit or loss

² “FVOCI” refers to fair value through other comprehensive income

³ “Network Capacity Access Rights” is defined in note 8(a) of the annual consolidated financial statements for the year ended December 31, 2019

4. PROFIT BEFORE INCOME TAX

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

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

5. INCOME TAX

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

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

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

6. DIVIDENDS

a. Cash dividend attributable to the interim period

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

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

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

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

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

c. Dividends approved and paid during the interim period

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

7. EARNINGS/(LOSS) PER SHARE

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

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

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

8. TRADE RECEIVABLES, NET

The aging of trade receivables based on the date of invoice is set out below:

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

8. TRADE RECEIVABLES, NET (CONTINUED)

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

The Group's normal credit period for customers is ranging up to 30 days from the date of invoice unless there is a separate mutual agreement on extension of the credit period. The Group maintains a well-defined credit policy and individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors who have overdue balances are requested to settle all outstanding balances before any further credit is granted.

9. TRADE PAYABLES

The aging of trade payables based on the date of invoice is set out below:

In HK\$ million	As at December 31, 2019 (Audited)	As at June 30, 2020 (Unaudited)
1 – 30 days	1,585	1,236
31 – 60 days	583	314
61 – 90 days	105	407
91 – 120 days	34	272
Over 120 days	439	453
	<u>2,746</u>	<u>2,682</u>

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

10. SHARE CAPITAL

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

- a. During the six months ended June 30, 2020, the Company issued and allotted 10,000,000 new fully paid shares for an aggregate consideration of HK\$100,000 (HK\$0.01 per share) under general mandate for grant of awards pursuant to the PCCW Subscription Scheme.
- b. The Company had total distributable reserves of HK\$18,946 million as at June 30, 2020 (December 31, 2019: HK\$19,264 million).

11. SUBSEQUENT EVENT

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

As at the date of this announcement, the Directors are as follows:

Executive Directors

Li Tzar Kai, Richard (Chairman); Srinivas Bangalore Gangaiah (aka BG Srinivas) (Group Managing Director); Hui Hon Hing, Susanna (Group Chief Financial Officer) and Lee Chi Hong, Robert

Non-Executive Directors

Tse Sze Wing, Edmund, GBS; Li Fushen (Deputy Chairman); Mai Yanzhou; Zhu Keping and Wei Zhe, David

Independent Non-Executive Directors

Aman Mehta; Frances Waikwun Wong; Bryce Wayne Lee; Lars Eric Nils Rodert; David Christopher Chance and David Lawrence Herzog

Forward-Looking Statements

This announcement may contain certain forward-looking statements. These forward-looking statements include, without limitation, statements relating to revenues, earnings and prospects. The words “believe”, “intend”, “expect”, “anticipate”, “project”, “estimate”, “predict”, “is confident”, “has confidence” and similar expressions are also intended to identify forward-looking statements. These forward-looking statements are not historical facts. Rather, the forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of the Directors and management of PCCW relating to the business, industry and markets in which PCCW operates.