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, 2015

The directors ("Directors") of PCCW Limited ("PCCW" or the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended June 30, 2015. 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.

- Core revenue increased by 25% to HK$17,983 million; consolidated revenue (including PCPD) increased by 23% to HK$18,082 million
- Core EBITDA increased by 30% to HK$5,784 million; consolidated EBITDA (including PCPD) increased by 30% to HK$5,683 million
- Consolidated profit attributable to equity holders of the Company increased by 1% to HK$1,070 million; basic earnings per share amounted to 14.39 HK cents
- Interim dividend of 7.96 HK cents per ordinary share

Note:
Core revenue refers to consolidated revenue excluding Pacific Century Premium Developments Limited ("PCPD"), the Group's property development and investment business; core EBITDA refers to consolidated EBITDA excluding PCPD.

MANAGEMENT REVIEW

PCCW registered a satisfactory result for the six months ended June 30, 2015 demonstrating the operational and financial resilience across all of our core business lines.

Core revenue for the six months ended June 30, 2015 increased by 25% to HK$17,983 million. Core EBITDA increased by 30% to HK$5,784 million. These results reflect the benefits of the successful integration of CSL since the completion of the acquisition in May 2014, the continued investment in new initiatives in our Media business and the steady growth in our Solutions business.

Including PCPD, consolidated revenue for the six months ended June 30, 2015 increased by 23% to HK$18,082 million and consolidated EBITDA increased by 30% to HK$5,683 million. Consolidated profit attributable to equity holders of the Company increased by 1% to HK$1,070 million. Basic earnings per share were 14.39 HK cents.

The board of Directors (the "Board") has resolved to declare an interim dividend of 7.96 HK cents per ordinary share for the six months ended June 30, 2015.

OUTLOOK

The investments in the Media over-the-top ("OTT") video platform, the expanded suite of e-commerce solutions and the new mobile payment service have demonstrated the Group's resolve to address the needs of consumers and enterprises as they embrace the digital lifestyle. We will continue on our journey to becoming the digital transformation partner of choice of our customers.

The Media business continues to strengthen now TV's content set with exclusive sports and other genres in its bid to maintain its leading position in Hong Kong's pay TV market, while developing new initiatives to provide extra momentum for growth.

PCCW Solutions will apply its enhanced capabilities and target industry segments in Hong Kong and mainland China that have the greatest need for enterprise IT solutions to enhance customer experience, drive new streams of revenue, increase automation and reduce costs.

On telecommunications, our continuous enhancement of user experience in both fixed and mobile services – such as the 10Gbps broadband and the mobile payment services – will fuel further growth of these segments.

In the second half of 2015, the local economic outlook appears to stay modest and there are uncertainties affecting the pace of the global economic recovery. With our sound operational and financial metrics, PCCW Group is ready and well positioned for any challenges and opportunities that may arise.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK$ million	Jun 30, 2014	Dec 31, 2014	Jun 30, 2015	Better/ (Worse) y-o-y
Revenue				
HKT	12,520	16,303	15,974	28%
Media Business	1,487	1,744	1,590	7%
Solutions Business	1,459	1,911	1,500	3%
Other Businesses	18	26	25	39%
Eliminations	(1,044)	(1,462)	(1,106)	(6)%
Core revenue	14,440	18,522	**17,983**	25%
PCPD	224	91	99	(56)%
Consolidated revenue	14,664	18,613	**18,082**	23%
Cost of sales	(6,782)	(8,369)	(8,027)	(18)%
Operating costs before depreciation, amortization, and (loss)/gain on disposal of property, plant and equipment, net	(3,506)	(4,280)	(4,372)	(25)%
EBITDA[1]				
HKT	4,425	5,817	5,770	30%
Media Business	180	272	182	1%
Solutions Business	232	390	246	6%
Other Businesses	(301)	(329)	(324)	(8)%
Eliminations	(79)	(101)	(90)	(14)%
Core EBITDA[1]	4,457	6,049	**5,784**	30%
PCPD	(81)	(85)	(101)	(25)%
Consolidated EBITDA[1]	4,376	5,964	**5,683**	30%
Core EBITDA[1] margin	*31%*	*33%*	*32%*	
Consolidated EBITDA[1] margin	*30%*	*32%*	*31%*	
Depreciation and amortization	(2,517)	(3,786)	(2,930)	(16)%
(Loss)/Gain on disposal of property, plant and equipment, net	(2)	–	4	NA
Other gains, net	688	2,029	60	(91)%
Interest income	45	45	35	(22)%
Finance costs	(573)	(845)	(764)	(33)%
Share of results of associates and joint ventures	9	41	13	44%
Profit before income tax	2,026	3,448	**2,101**	4%

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

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

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

HKT

For the six months ended **HK$ million**	**Jun 30, 2014**	**Dec 31, 2014**	**Jun 30, 2015**	Better/ (Worse) y-o-y
HKT Revenue	12,520	16,303	**15,974**	28%
HKT EBITDA[1]	4,425	5,817	**5,770**	30%
HKT EBITDA[1] margin	*35%*	*36%*	***36%***	
HKT Adjusted Funds Flow	1,590	1,764	**1,953**	23%

HKT reported solid financial results during the six months ended June 30, 2015 demonstrating its strong market position across all of its lines of business and the successful integration of CSL since the completion of the acquisition in May 2014.

Total revenue for the six months ended June 30, 2015 increased by 28% to HK$15,974 million and total EBITDA for the period was HK$5,770 million, an increase of 30% over the same period in 2014. Adjusted funds flow for the six months ended June 30, 2015 reached HK$1,953 million, an increase of 23% over the same period in 2014.

HKT announced an interim distribution of 25.79 HK cents per share stapled unit.

For a more detailed review of the performance of HKT, please refer to its 2015 interim results announcement released on August 5, 2015.

Media Business

For the six months ended HK$ million	Jun 30, 2014	Dec 31, 2014	Jun 30, 2015	Better/ (Worse) y-o-y
Media Business Revenue	1,487	1,744	**1,590**	7%
Media Business EBITDA[1]	180	272	**182**	1%
Media Business EBITDA[1] margin	*12%*	*16%*	***11%***	

Revenue for the Media business for the six months ended June 30, 2015 increased by 7% to HK$1,590 million from HK$1,487 million a year earlier, driven by a 6% revenue growth in its core pay TV business and a 17% revenue growth in new business initiatives such as OTT.

The steady growth in the core pay TV business was underpinned by an expansion of average revenue per user ("ARPU") across its substantial customer base. The total installed now TV subscriber base reached 1,292,000 by the end of June 2015, representing a net gain of 23,000 subscribers or an increase of 2% from 12 months ago. now TV's exit ARPU continued to increase, rising 3% year-on-year from HK$191 to HK$196 per month reflecting the positive impact from our newly introduced pay TV packages with simplified pricing.

During the first half of 2015, the Group acquired Vuclip, Inc. ("Vuclip"), a leading premium mobile video-on-demand service provider for emerging markets, with a view to furthering the OTT expansion strategy of the Media business. Vuclip currently has more than seven million subscribers and an extensive footprint spanning India, Indonesia, Malaysia, Thailand, the United Arab Emirates and Egypt.

EBITDA for the six months ended June 30, 2015 was HK$182 million as compared to HK$180 million a year earlier, reflecting investments made in new business initiatives as well as costs incurred in the preparation for the launch of the free TV business.

Solutions Business

For the six months ended HK$ million	**Jun 30, 2014**	**Dec 31, 2014**	**Jun 30, 2015**	Better/ (Worse) y-o-y
Solutions Business Revenue	1,459	1,911	**1,500**	3%
Solutions Business EBITDA[1]	232	390	**246**	6%
Solutions Business EBITDA[1] margin	*16%*	*20%*	***16%***	

Revenue generated by the Solutions business for the six months ended June 30, 2015 increased by 3% to HK$1,500 million from HK$1,459 million a year ago. Of the revenue generated in the first half of 2015, 60% was of a recurring nature while 40% was project based.

The Solutions business maintained a well diversified business across a wide range of service offerings. Revenue by service line for the six months ended June 30, 2015 was: Cloud Solutions & Infrastructure 30%, Enterprise Applications 25%, Technical Services 23%, Application Development & Maintenance 14% and Business Process Outsourcing 8%. Revenue by client industry for the six months ended June 30, 2015 was: Public Sector 34%, Telecommunications 31%, Hi-Tech & Media 11%, Travel and Hospitality 8%, Banking/Financial Services & Insurance 6%, Retail and Manufacturing 6% and other industries 4%.

EBITDA for the six months ended June 30, 2015 increased by 6% to HK$246 million from HK$232 million a year ago, with the margin maintained at 16%.

As at June 30, 2015, the Solutions business had secured orders with a value of HK$5,260 million.

PCPD

PCPD recorded total revenue of HK$99 million and negative EBITDA of HK$101 million for the six months ended June 30, 2015, compared with total revenue of HK$224 million and negative EBITDA of HK$81 million a year earlier.

PCPD's development of a Grade A office building in the central business district of Jakarta, Indonesia continued to make encouraging progress. After the completion of the foundation and the basement wall, the construction works of two basement levels were completed as at June 30, 2015. Construction of additional levels is underway and the building is expected to become operational in 2017. The resort projects in Hokkaido, Japan, and Phang-nga, Thailand, also proceeded in accordance with their respective schedules.

After the disposal of Pacific Century Place, Beijing, PCPD is able to maintain current operations and will prudently consider potential projects within its cash level and appropriate leverage.

For more information about the performance of PCPD, please refer to its 2015 interim results announcement released on August 5, 2015.

Other Businesses

Other Businesses primarily comprised the wireless broadband business in the United Kingdom and corporate support functions. Revenue from Other Businesses was HK$25 million for the six months ended June 30, 2015 (June 30, 2014: HK$18 million), while the cost of the Group's Other Businesses was HK$324 million (June 30, 2014: HK$301 million).

Eliminations

Eliminations for the six months ended June 30, 2015 were HK$1,106 million (June 30, 2014: HK$1,044 million). Eliminations mainly represented eliminations of intra-group sale and transfer of rights to use certain equipment and assets in the ordinary course of business on an arm's length basis.

Costs

Cost of Sales

For the six months ended HK$ million	**Jun 30, 2014**	**Dec 31, 2014**	**Jun 30, 2015**	Better/ (Worse) y-o-y
The Group (excluding PCPD)	6,730	8,340	**8,003**	(19)%
PCPD	52	29	24	54%
Group Total	6,782	8,369	**8,027**	(18)%

The Group's consolidated total cost of sales for the six months ended June 30, 2015 increased by 18% year-on-year to HK$8,027 million. This comprised a 19% increase in cost of sales for the core business which was in line with the increase in core revenue and lower cost of sales for PCPD.

General and Administrative Expenses

During the period, operating costs before depreciation, amortization, and (loss)/gain on disposal of property, plant and equipment, net, increased by 25% year-on-year to HK$4,372 million due largely to the enlarged business scale of HKT following the CSL acquisition as well as investments in resources to support the new initiatives in OTT and free TV for Media and expansion of business in China for Solutions. Operating costs to revenue ratio was stable at 24%.

Depreciation and amortization expenses increased by 16% year-on-year to HK$2,930 million for the six months ended June 30, 2015, which reflected higher customer acquisition costs in the prior year due to the enlarged business scale following the CSL acquisition.

As a result, general and administrative expenses increased by 21% year-on-year to HK$7,298 million for the six months ended June 30, 2015.

EBITDA[1]

Benefiting from the robust performance of HKT's business, core EBITDA for the six months ended June 30, 2015 increased by 30% year-on-year to HK$5,784 million representing a stable margin of 32%. Consolidated EBITDA increased by 30% year-on-year to HK$5,683 million for the period representing a margin of 31%.

Interest Income and Finance Costs

Interest income for the six months ended June 30, 2015 was HK$35 million and finance costs increased by 33% year-on-year to HK$764 million due to the incurrence of interest on the borrowings raised to finance the CSL acquisition and the recognition of additional finance costs associated with the spectrum license fees arising from the CSL acquisition. As a result, net finance costs increased by 38% year-on-year to HK$729 million for the six months ended June 30, 2015.

Income Tax

Income tax expenses for the six months ended June 30, 2015 was HK$209 million, as compared to HK$385 million a year ago, representing an effective tax rate of 10% for the period. The decrease in the tax expenses is mainly due to recognition of deferred income tax assets resulting from certain loss-making companies turning profitable and prior year's provision of overseas tax from the disposition of an overseas subsidiary.

Non-controlling Interests

Non-controlling interests were HK$822 million for the six months ended June 30, 2015 (June 30, 2014: HK$583 million), which primarily represented the net profit attributable to the non-controlling shareholders of HKT and PCPD.

Consolidated Profit Attributable to Equity Holders of the Company

Consolidated profit attributable to equity holders of the Company for the six months ended June 30, 2015 increased by 1% year-on-year to HK$1,070 million (June 30, 2014: HK$1,058 million).

LIQUIDITY AND CAPITAL RESOURCES

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

During the first half of 2015, HKT took advantage of the favorable interest rate environment and raised a total of approximately US$1,013 million through the issuance of US$300 million in 15-year, zero coupon guaranteed notes, US$500 million in 10-year, 3.625% guaranteed notes and €200 million in 12-year, 1.65% guaranteed notes. During this period, PCCW also raised US$100 million through the issuance of 15-year, zero coupon guaranteed notes. The use of proceeds was for general corporate purposes including the refinancing of outstanding debt. The Group's gross debt[2] increased to HK$42,946 million as at June 30, 2015 (December 31, 2014: HK$41,957 million). Cash and cash equivalents totaled HK$6,567 million as at June 30, 2015 (December 31, 2014: HK$7,943 million).

The Group's gross debt[2] to total assets was 58% as at June 30, 2015 (December 31, 2014: 57%).

As at July 31, 2015, the Group had a total of HK$38,146 million in committed bank loan facilities available for liquidity management, of which HK$14,217 million remained undrawn. Of these committed bank loan facilities, HKT accounted for HK$27,147 million, of which HK$6,003 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2015, Hong Kong Telecommunications (HKT) Limited, an indirect non-wholly owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB).

CAPITAL EXPENDITURE[3]

Group capital expenditure for the six months ended June 30, 2015 was HK$1,548 million (June 30, 2014: HK$1,469 million), of which HKT accounted for about 85% for the period (June 30, 2014: 78%). A significant proportion of the capital investments made by the Group in the first six months of 2015 was attributable to the network integration work for the Mobile business as well as to satisfy demand for our high speed broadband fiber services and international voice and data connectivity services. The remainder of the investments was to expand the data center capacity of the Solutions business and to upgrade the broadcasting equipment for the Media business. Capital expenditure for the Solutions business tapered down in the first six months of 2015 compared to the same period in 2014 as we are close to completing the data center investment cycle that commenced almost two years ago.

The Group will continue to invest in its delivery platform and networks taking into account the prevailing market conditions, and using assessment criteria including internal rate of return, net present value and payback period.

HEDGING

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

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

As for financing, a significant portion of the Group's debt is denominated in foreign currency 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, 2015, all forward contracts and cross currency interest rate swap contracts were designated as cash flow hedges and/or fair value hedges for the Group's foreign currency denominated short-term and long-term borrowings.

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

CHARGE ON ASSETS

As at June 30, 2015, certain assets of the Group with an aggregate carrying value of HK$2,233 million (December 31, 2014: HK$2,050 million) and performance guarantee of approximately HK$162 million (December 31, 2014: HK$166 million) in relation to the construction of a Premium Grade A office building in Jakarta, Indonesia were pledged to secure certain bank loan facilities of the Group.

CONTINGENT LIABILITIES

HK$ million	As at Dec 31, 2014 (Audited)	**As at Jun 30, 2015 (Unaudited)**
Performance guarantees	2,338	**2,369**
Tender guarantees	52	**52**
Others	99	**89**
	2,489	**2,510**

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

HUMAN RESOURCES

The Group had over 23,300 employees as at June 30, 2015 (June 30, 2014: 23,000) located in over 40 countries and cities. About 64% of these employees work in Hong Kong and the others are based mainly in mainland China and the Philippines. The Group has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve the Group's business performance targets. Payment of 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 employees.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 7.96 HK cents (June 30, 2014: 6.99 HK cents) per ordinary share for the six months ended June 30, 2015 to shareholders whose names appear on the register of members of the Company on Thursday, August 27, 2015. The interim dividend will be payable in cash with an option to eligible shareholders to participate in a scrip dividend alternative (the "2015 Interim Scrip Dividend Scheme"). The 2015 Interim Scrip Dividend Scheme is conditional upon The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the 2015 Interim Scrip Dividend Scheme. Full details of the 2015 Interim Scrip Dividend Scheme will be set out in a circular proposed to be despatched to shareholders on or around Monday, September 7, 2015.

CLOSURE OF REGISTER OF MEMBERS

The record date for the interim dividend will be Thursday, August 27, 2015. The Company's register of members will be closed from Wednesday, August 26, 2015 to Thursday, August 27, 2015 (both days inclusive) in order to determine entitlements to the interim dividend. During such period, no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares of the Company 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 Tuesday, August 25, 2015. Dividend warrants and share certificates to be issued under the 2015 Interim Scrip Dividend Scheme will be despatched to shareholders on or around Wednesday, October 7, 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2015, 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, 2015. 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 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") 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, 2015, save and except for code provision F.1.2 as the appointments of company secretary during the period were discussed and approved at the physical executive committee meetings in accordance with the delegated board authority, of which the directors were briefed on the outcome, and therefore the requirement by code provision F.1.2 of the CG Code to approve these matters by physical board meetings has not been complied with. It is considered that the approval process is efficient and appropriate in the view of directors.

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 2015 interim report will be despatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board of
PCCW Limited
Grace M.Y. Lee
Group General Counsel and Company Secretary

Hong Kong, August 6, 2015

CONSOLIDATED INCOME STATEMENT
For the six months ended June 30, 2015

In HK$ million (except for earnings per share)	Note(s)	2014 (Unaudited)	**2015 (Unaudited)**
Revenue	2	14,664	**18,082**
Cost of sales		(6,782)	**(8,027)**
General and administrative expenses		(6,025)	**(7,298)**
Other gains, net	3	688	**60**
Interest income		45	**35**
Finance costs		(573)	**(764)**
Share of results of associates		(5)	**19**
Share of results of joint ventures		14	**(6)**
Profit before income tax	2, 4	2,026	**2,101**
Income tax	5	(385)	**(209)**
Profit for the period		1,641	**1,892**
Attributable to:			
Equity holders of the Company		1,058	**1,070**
Non-controlling interests		583	**822**
Profit for the period		1,641	**1,892**
Earnings per share	7		
Basic		14.57 cents	**14.39 cents**
Diluted		14.55 cents	**14.36 cents**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2015

In HK$ million	2014 (Unaudited)	**2015 (Unaudited)**
Profit for the period	1,641	**1,892**
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to income statement:		
Exchange differences on translating foreign operations	(231)	**(180)**
Available-for-sale financial assets:		
- changes in fair value	(16)	**(59)**
Cash flow hedges:		
- effective portion of changes in fair value	5	**(168)**
- transfer from equity to income statement	–	**(36)**
Other comprehensive loss for the period	(242)	**(443)**
Total comprehensive income for the period	1,399	**1,449**
Attributable to:		
Equity holders of the Company	854	**725**
Non-controlling interests	545	**724**
Total comprehensive income for the period	1,399	**1,449**

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at June 30, 2015

In HK$ million	Note	The Group As at December 31, 2014 (Audited)	The Group **As at June 30, 2015 (Unaudited)**	The Company As at December 31, 2014 (Audited)	The Company **As at June 30, 2015 (Unaudited)**
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		17,337	**17,878**	–	**–**
Investment properties		1,878	**1,910**	–	**–**
Interests in leasehold land		464	**453**	–	**–**
Properties held for/under development		895	**875**	–	**–**
Goodwill		17,075	**18,201**	–	**–**
Intangible assets		10,195	**10,590**	–	**–**
Interests in subsidiaries		–	**–**	17,072	**17,072**
Interests in associates		687	**731**	–	**–**
Interests in joint ventures		497	**498**	–	**–**
Held-to-maturity investments		1	**–**	–	**–**
Available-for-sale financial assets		754	**736**	–	**–**
Derivative financial instruments		–	**90**	–	**–**
Deferred income tax assets		1,059	**1,151**	–	**–**
Other non-current assets		806	**782**	–	**–**
		51,648	**53,895**	17,072	**17,072**
Current assets					
Amounts due from subsidiaries		–	**–**	16,484	**17,881**
Sales proceeds held in stakeholders' accounts		528	**523**	–	**–**
Restricted cash		1,022	**96**	–	**–**
Prepayments, deposits and other current assets		6,429	**6,603**	38	**24**
Inventories		801	**1,006**	–	**–**
Amounts due from related companies		95	**114**	–	**–**
Derivative financial instruments		49	**97**	–	**–**
Trade receivables, net	8	4,497	**4,792**	–	**–**
Tax recoverable		27	**25**	–	**–**
Short-term deposits		–	**350**	–	**–**
Cash and cash equivalents		7,943	**6,567**	1,093	**998**
		21,391	**20,173**	17,615	**18,903**

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION (CONTINUED)
As at June 30, 2015

In HK$ million	Note	The Group As at December 31, 2014 (Audited)	The Group **As at June 30, 2015 (Unaudited)**	The Company As at December 31, 2014 (Audited)	The Company **As at June 30, 2015 (Unaudited)**
Current liabilities					
Short-term borrowings	10	(4,823)	**(11,065)**	(946)	**–**
Trade payables	9	(2,331)	**(2,913)**	–	**–**
Accruals and other payables		(6,787)	**(6,080)**	(11)	**(10)**
Amount payable to the Government under the Cyberport Project Agreement		(522)	**(322)**	–	**–**
Carrier licence fee liabilities		(429)	**(445)**	–	**–**
Amounts due to related companies		(98)	**(70)**	–	**–**
Advances from customers		(2,155)	**(2,183)**	–	**–**
Current income tax liabilities		(1,873)	**(1,618)**	–	**–**
		(19,018)	**(24,696)**	(957)	**(10)**
Non-current liabilities					
Long-term borrowings	10	(36,494)	**(31,154)**	(1,778)	**(2,697)**
Amounts due to subsidiaries		–	**–**	(2,167)	**(2,934)**
Derivative financial instruments		(217)	**(478)**	(117)	**(159)**
Deferred income tax liabilities		(2,501)	**(2,702)**	–	**–**
Deferred income		(1,033)	**(960)**	–	**–**
Defined benefit liability		(116)	**(117)**	–	**–**
Carrier licence fee liabilities		(949)	**(921)**	–	**–**
Other long-term liabilities		(342)	**(441)**	–	**–**
		(41,652)	**(36,773)**	(4,062)	**(5,790)**
Net assets		12,369	**12,599**	29,668	**30,175**
CAPITAL AND RESERVES					
Share capital	11	11,720	**12,209**	11,720	**12,209**
Other reserves		(1,563)	**(1,877)**	17,948	**17,966**
Equity attributable to equity holders of the Company		10,157	**10,332**	29,668	**30,175**
Non-controlling interests		2,212	**2,267**	–	**–**
Total equity		12,369	**12,599**	29,668	**30,175**

NOTES

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of PCCW Limited (the "Company") and its subsidiaries (collectively the "Group") has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 'Interim Financial Reporting' issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2014.

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, 2015.

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 preparation of the unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses on a year-to-date basis. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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, 2014, except for the adoption of the following new, revised or amended Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations (collectively "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2015 as described below.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2015, but have had no material effect on the Group's reported results and financial position for the current and prior accounting periods:

- HKAS 19 (2011) (Amendment), Defined Benefit Plans: Employee Contributions.
- Annual Improvements to 2010-2012 Cycle published in January 2014 by HKICPA.
- Annual Improvements to 2011-2013 Cycle published in January 2014 by HKICPA.

The Group has not adopted any new HKFRSs that are not yet effective for the current accounting period.

2. SEGMENT INFORMATION

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

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

- HKT Limited ("HKT") is Hong Kong's premier telecommunications service provider. The principal activities of HKT and its subsidiaries are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, customer premises equipment sale, 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 service, Internet portal multimedia entertainment platform and directories operations in Hong Kong, mainland China and other parts of the world.

- Solutions Business offers Information and Communications Technologies services and solutions in Hong Kong, Macau and mainland China.

- Pacific Century Premium Developments Limited ("PCPD") covers the Group's property portfolio in Hong Kong, mainland China and elsewhere in Asia.

- Other Businesses include the Group's wireless broadband business in the United Kingdom and all corporate support functions.

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

For the six months ended June 30, 2014
(In HK$ million)

	HKT (Unaudited)	Media Business (Unaudited)	Solutions Business (Unaudited)	Other Businesses (Unaudited)	PCPD (Unaudited)	Eliminations (Unaudited)	Consolidated (Unaudited)
REVENUE							
Total Revenue	12,520	1,487	1,459	18	224	(1,044)	14,664
RESULTS							
EBITDA	4,425	180	232	(301)	(81)	(79)	4,376

For the six months ended June 30, 2015
(In HK$ million)

	HKT (Unaudited)	**Media Business** (Unaudited)	**Solutions Business** (Unaudited)	**Other Businesses** (Unaudited)	**PCPD** (Unaudited)	**Eliminations** (Unaudited)	**Consolidated** (Unaudited)
REVENUE							
Total Revenue	**15,974**	**1,590**	**1,500**	**25**	**99**	**(1,106)**	**18,082**
RESULTS							
EBITDA	**5,770**	**182**	**246**	**(324)**	**(101)**	**(90)**	**5,683**

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

In HK$ million	Six months ended June 30, 2014 (Unaudited)	**Six months ended June 30, 2015 (Unaudited)**
Total segment EBITDA	4,376	**5,683**
(Loss)/Gain on disposal of property, plant and equipment, net	(2)	**4**
Depreciation and amortization	(2,517)	**(2,930)**
Other gains, net	688	**60**
Interest income	45	**35**
Finance costs	(573)	**(764)**
Share of results of associates and joint ventures	9	**13**
Profit before income tax	2,026	**2,101**

3. OTHER GAINS, NET

In HK$ million	Six months ended June 30, 2014 (Unaudited)	Six months ended **June 30, 2015 (Unaudited)**
Fair value gains on investment properties	654	**–**
Gain on remeasuring an available-for-sale investment upon a step acquisition	–	**29**
Net gains on cash flow hedging instruments transferred from equity	1	**1**
Net gains on fair value hedging instruments	23	**24**
Net gains from return of investments in available-for-sale financial assets	10	**–**
Net gains on disposal of available-for-sale financial assets	–	**9**
Others	–	**(3)**
	688	**60**

4. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK$ million	Six months ended June 30, 2014 (Unaudited)	Six months ended **June 30, 2015 (Unaudited)**
Charging:		
Cost of inventories sold	1,078	**1,912**
Cost of sales, excluding inventories sold	5,704	**6,115**
Depreciation of property, plant and equipment	1,236	**1,057**
Amortization of intangible assets	1,270	**1,862**
Amortization of land lease premium – interests in leasehold land	11	**11**
Finance costs on borrowings	530	**703**
Staff costs	1,435	**1,778**

5. INCOME TAX

In HK$ million	Six months ended June 30, 2014 (Unaudited)	Six months ended **June 30, 2015 (Unaudited)**
Current income tax:		
Hong Kong profits tax	29	**273**
Overseas tax	51	**13**
Movement of deferred income tax	305	**(77)**
	385	**209**

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the period. Overseas tax has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

6. DIVIDENDS

a. Dividend attributable to the interim period

In HK$ million	Six months ended June 30, 2014 (Unaudited)	Six months ended **June 30, 2015 (Unaudited)**
Interim dividend declared after the interim period of 7.96 HK cents (2014: 6.99 HK cents) per ordinary share	517	**601**

At a meeting held on August 6, 2015, the directors declared an interim dividend of 7.96 HK cents per ordinary share for the year ending December 31, 2015. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information.

The 2015 interim dividend will be payable in cash with a scrip dividend alternative subject to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares of the Company ("PCCW Shares") to be issued pursuant thereto.

b. Dividends approved and paid during the interim period

In HK$ million	Six months ended June 30, 2014 (Unaudited)	Six months ended **June 30, 2015 (Unaudited)**
Final dividend in respect of the previous financial year, approved and paid during the interim period of 13.21 HK cents (2014: 13.85 HK cents) per ordinary share (note i)	1,009	**985**
Less: dividend for PCCW Shares held by share award schemes	(3)	**(2)**
	1,006	**983**

6. DIVIDENDS (CONTINUED)

b. Dividends approved and paid during the interim period *(continued)*

i. The 2014 final dividend payable in cash with a scrip dividend alternative was approved by the shareholders at the annual general meeting and the listing of and permission to deal in the new PCCW Shares issued pursuant thereto was granted by the Stock Exchange. Please refer to note 11(a) for the details of share capital issued and allotted during the six months ended June 30, 2015.

7. EARNINGS PER SHARE

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

	Six months ended June 30, 2014 (Unaudited)	Six months ended **June 30, 2015 (Unaudited)**
Earnings (in HK$ million)		
Earnings for the purposes of basic and diluted earnings per share	1,058	**1,070**
Number of shares		
Weighted average number of ordinary shares	7,282,662,873	**7,456,334,207**
Effect of PCCW Shares held under the Company's share award schemes	(19,497,262)	**(18,814,223)**
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,263,165,611	**7,437,519,984**
Effect of PCCW Shares awarded under the Company's share award schemes	7,768,057	**11,915,439**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,270,933,668	**7,449,435,423**

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, 2014 (Audited)	**As at June 30, 2015 (Unaudited)**
0 – 30 days	2,479	**2,432**
31 – 60 days	640	**782**
61 – 90 days	289	**246**
91 – 120 days	190	**312**
Over 120 days	1,133	**1,283**
	4,731	**5,055**
Less: Impairment loss for doubtful debts	(234)	**(263)**
	4,497	**4,792**

Included in trade receivables, net were amounts due from related parties of HK$39 million and HK$76 million as at June 30, 2015 and December 31, 2014 respectively.

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

9. TRADE PAYABLES

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

In HK$ million	As at December 31, 2014 (Audited)	**As at June 30, 2015 (Unaudited)**
0 – 30 days	1,180	**1,781**
31 – 60 days	148	**63**
61 – 90 days	40	**49**
91 – 120 days	59	**35**
Over 120 days	904	**985**
	2,331	**2,913**

Included in trade payables were amounts due to related parties of HK$81 million and HK$22 million as at June 30, 2015 and December 31, 2014 respectively.

10. SHORT-TERM AND LONG-TERM BORROWINGS

a. During the six months ended June 30, 2015, certain bank borrowings of approximately HK$3,266 million and guaranteed notes of US$500 million (approximately HK$3,876 million) have been reclassified from long-term liabilities to short-term liabilities as their maturity dates fall due within the next twelve-month period. As at June 30, 2015, the Group had a total cash and cash equivalents of HK$6,567 million and undrawn banking facilities of approximately HK$18,325 million. In July 2015, the Group had reduced its short-term borrowings by refinancing its maturing guaranteed notes of US$500 million (approximately HK$3,876 million) with the Group's long-term borrowings.

b. US$300 million zero coupon guaranteed notes due 2030

On January 15, 2015, HKT Capital No. 1 Limited, an indirect non-wholly owned subsidiary of the Company, issued US$300 million (approximately HK$2,326 million) zero coupon guaranteed notes due 2030, which are listed on the Taipei Exchange (previously known as the GreTai Securities Market) in Taiwan, China. The notes are irrevocably and unconditionally guaranteed by HKT Group Holdings Limited ("HKTGH") and Hong Kong Telecommunications (HKT) Limited ("HKTL"), both being indirect non-wholly owned subsidiaries of the Company, and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

c. US$500 million 3.625% guaranteed notes due 2025

On April 2, 2015, HKT Capital No. 2 Limited, an indirect non-wholly owned subsidiary of the Company, issued US$500 million (approximately HK$3,876 million) 3.625% guaranteed notes due 2025, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

d. €200 million 1.65% guaranteed notes due 2027

On April 10, 2015, HKT Capital No. 3 Limited, an indirect non-wholly owned subsidiary of the Company, issued €200 million (approximately HK$1,729 million) 1.65% guaranteed notes due 2027, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

e. US$100 million zero coupon guaranteed notes due 2030

On May 20, 2015, PCCW Capital No. 5 Limited, a direct wholly-owned subsidiary of the Company, issued US$100 million (approximately HK$775 million) zero coupon guaranteed notes due 2030, which are listed on the Taipei Exchange in Taiwan, China. The notes are irrevocably and unconditionally guaranteed by the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of the Company.

11. SHARE CAPITAL

	Six months ended			
	June 30, 2014		**June 30, 2015**	
	Number of shares (Unaudited)	Share capital (Unaudited) HK$ million	**Number of shares (Unaudited)**	**Share capital (Unaudited) HK$ million**
Issued and fully paid:				
As at January 1	7,272,294,654	1,818	**7,453,177,661**	**11,720**
PCCW Shares issued in lieu of cash dividends *(note a)*	114,240,694	474	**96,011,595**	**489**
PCCW Shares issued for share award scheme *(note b)*	10,000,000	–	**–**	**–**
Transfer from share premium account and capital redemption reserve account upon transition to no-par value regime on March 3, 2014 *(note c)*	–	9,146	**–**	**–**
As at June 30	7,396,535,348	11,438	**7,549,189,256**	**12,209**

a. During the six months ended June 30, 2015, the Company issued and allotted 96,011,595 new fully paid shares (2014: 114,240,694 new fully paid shares) at HK$5.088 (2014: HK$4.148) per share to the shareholders who elected to receive PCCW Shares in lieu of cash for 2014 final dividend (2014: 2013 final dividend) pursuant to the scrip dividend scheme.

b. During the six months ended June 30, 2014, the Company issued and allotted 10,000,000 new fully paid shares at HK$0.01 per share pursuant to the share award scheme.

c. In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on March 3, 2014, any amount standing to the credit of the share premium account and the capital redemption reserve account has become part of the Company's share capital.

As at the date of this announcement, the directors of the Company 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
Sir David Ford, KBE, LVO; Tse Sze Wing, Edmund, GBS; Lu Yimin (Deputy Chairman); Li Fushen; Zhang Junan and Wei Zhe, David

Independent Non-Executive Directors
Dr The Hon Sir David Li Kwok Po, GBM, GBS, OBE, JP; Aman Mehta; Frances Waikwun Wong; Bryce Wayne Lee; Lars Eric Nils Rodert and David Christopher Chance

Forward-Looking Statements

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