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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, 2017

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, 2017. 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.

- Results for core revenue were as follows:
  - Core revenue (excluding Mobile handset sales) was stable at HK$16,549 million
  - Core revenue decreased by 5% to HK$17,576 million

- Results for consolidated revenue were as follows:
  - Consolidated revenue (excluding Mobile handset sales) was stable at HK$16,656 million
  - Consolidated revenue (including PCPD) decreased by 5% to HK$17,683 million

- Results for EBITDA were as follows:
  - Core EBITDA increased to HK$5,749 million
  - Consolidated EBITDA (including PCPD) increased to HK$5,633 million

- Results for profit attributable to equity holders of the Company were as follows:
  - Core profit attributable to equity holders of the Company increased by 38% to HK$1,430 million
  - Consolidated profit attributable to equity holders of the Company increased by 49% to HK$1,293 million

- Basic earnings per share amounted to 16.79 HK cents

- Interim dividend of 8.57 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 and core profit attributable to equity holders of the Company refers to consolidated EBITDA and consolidated profit attributable to equity holders of the Company excluding PCPD.

MANAGEMENT REVIEW

We are pleased to report that PCCW delivered a stable set of financial results for the six months ended June 30, 2017 underpinned by the strength and resilience of HKT Limited ("HKT") and solid execution in the Media and Solutions businesses.

During the period, core revenue decreased by 5% to HK$17,576 million due to a slowdown in Mobile handset sales at HKT. Excluding Mobile handset sales, core revenue was steady at HK$16,549 million. The Solutions and over-the-top ("OTT") businesses showed continued growth momentum with their revenues increasing by 6% and 24%, respectively, for the six months ended June 30, 2017, compared to a year ago.

Both HKT and the Solutions business reported growth in EBITDA during the period though this was moderated by continued investments in the OTT and Free TV segments of the Media business. Core EBITDA increased only slightly to HK$5,749 million.

PCPD is still to attain scale, while it is developing a number of projects and has yet to contribute materially to the consolidated results. Consolidated revenue for the six months ended June 30, 2017 decreased by 5% to HK$17,683 million and consolidated EBITDA increased slightly to HK$5,633 million.

During the period, we disposed of our non-core wireless broadband business in the United Kingdom and recognized a gain on disposal. After accounting for the reduction in PCCW's attributable interest in HKT following the placement of an approximate 11% interest, consolidated profit attributable to equity holders of the Company increased by 49% to HK$1,293 million. Basic earnings per share was 16.79 HK cents.

The board of Directors (the "Board") has resolved to declare an interim dividend of 8.57 HK cents per ordinary share for the six months ended June 30, 2017.

OUTLOOK

Our strategy is to continue to develop and maintain our leadership in the relevant markets of each of our core businesses of IT solutions, media, and telecommunications, while seeking new growth opportunities.

With an excellent track record in large-scale IT projects and a global data center network alliance, PCCW Solutions will continue to benefit from the needs of enterprises and the public sector to go digital. The significant recurring nature of its business and the expanding demand for digital transformation capabilities should lead to a growing contribution from PCCW Solutions.

Now TV has consolidated its market leadership in the pay TV industry in Hong Kong while ViuTV has broadened our reach into the TV advertising market. Although the environment in the media industry in Hong Kong has been very dynamic in the past year, we expect the competitive behavior to rationalize and lead to improved profitability. The OTT business has extended our geographic scope beyond Hong Kong and we now have a presence in 24 markets. Our goal is to build the leading digital media service in Asia with the best viewing experience and most relevant content.

During the period, HKT made further progress in developing its growth initiatives while strengthening its leadership positions in the broadband and mobile communications markets in Hong Kong.

While global economic recovery appears to be on a surer footing this year, we will remain prudent and vigilant as we identify opportunities for growth.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK$ million	Jun 30, 2016	Dec 31, 2016	Jun 30, 2017	Better/ (Worse) y-o-y
Revenue				
HKT	16,388	17,459	**15,649**	(5)%
HKT (excluding Mobile handset sales)	14,611	15,811	**14,622**	-
Mobile handset sales	1,777	1,648	**1,027**	(42)%
Now TV Business	1,391	1,509	**1,350**	(3)%
Free TV Business	52	108	**94**	81%
OTT Business	271	312	**337**	24%
Solutions Business	1,587	2,235	**1,685**	6%
Other Businesses	30	30	**30**	-
Eliminations	(1,310)	(1,852)	**(1,569)**	(20)%
Core revenue	18,409	19,801	**17,576**	(5)%
PCPD	115	59	**107**	(7)%
Consolidated revenue	18,524	19,860	**17,683**	(5)%
Cost of sales	(8,494)	(9,249)	**(7,961)**	6%
Operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net	(4,421)	(3,994)	**(4,089)**	8%
EBITDA[1]				
HKT	5,865	6,819	**5,968**	2%
Now TV Business	184	229	**154**	(16)%
Free TV Business	(68)	(115)	**(116)**	(71)%
OTT Business	(109)	(126)	**(125)**	(15)%
Solutions Business	254	507	**263**	4%
Other Businesses	(304)	(408)	**(304)**	-
Eliminations	(92)	(130)	**(91)**	1%
Core EBITDA[1]	5,730	6,776	**5,749**	-
PCPD	(121)	(159)	**(116)**	4%
Consolidated EBITDA[1]	5,609	6,617	**5,633**	-
Core EBITDA[1] margin	*31%*	*34%*	***33%***	
Consolidated EBITDA[1] margin	*30%*	*33%*	***32%***	
Depreciation	(860)	(914)	**(851)**	1%
Amortization	(2,348)	(2,580)	**(2,550)**	(9)%
Gain/(Loss) on disposal of property, plant and equipment, net	2	1	**(8)**	n/a
Other (losses)/gains, net	(53)	85	**1,190**	n/a
Interest income	27	25	**58**	115%
Finance costs	(627)	(802)	**(790)**	(26)%
Share of results of associates and joint ventures	19	26	**(35)**	n/a
Profit before income tax	1,769	2,458	**2,647**	50%

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, 2016**	**Dec 31, 2016**	**Jun 30, 2017**	Better/ (Worse) y-o-y
HKT Revenue	16,388	17,459	**15,649**	(5)%
HKT Revenue (excluding Mobile handset sales)	14,611	15,811	**14,622**	-
Mobile handset sales	1,777	1,648	**1,027**	(42)%
HKT EBITDA[1]	5,865	6,819	**5,968**	2%
HKT EBITDA[1] margin	*36%*	*39%*	***38%***	
HKT Adjusted Funds Flow	2,051	2,632	**2,129**	4%

HKT delivered a satisfactory set of financial results for the six months ended June 30, 2017, underpinned by the strength and resilience of all lines of business as well as continued operating efficiency improvements.

Total revenue for the six months ended June 30, 2017 decreased by 5% to HK$15,649 million, impacted by lower revenue from Mobile handset sales in the absence of marquee handsets during the period. Excluding Mobile handset sales, total revenue was stable at HK$14,622 million, as compared to HK$14,611 million for the corresponding period last year.

Total EBITDA for the period was HK$5,968 million, an increase of 2% over the same period in 2016, driven by further enhancements of operating efficiency in both the Mobile and Telecommunications Services businesses.

Adjusted funds flow for the six months ended June 30, 2017 reached HK$2,129 million, an increase of 4% over the same period in 2016.

HKT announced an interim distribution of 28.12 HK cents per share stapled unit.

For a more detailed review of the performance of HKT, please refer to its 2017 interim results announcement released on August 9, 2017.

Now TV Business

For the six months ended HK$ million	Jun 30, 2016	Dec 31, 2016	Jun 30, 2017	Better/ (Worse) y-o-y
Now TV Business Revenue	1,391	1,509	**1,350**	(3)%
Now TV Business EBITDA[1]	184	229	**154**	(16)%
Now TV *Business EBITDA[1] margin*	*13%*	*15%*	***11%***	

Revenue for the Now TV business for the six months ended June 30, 2017 declined by 3% to HK$1,350 million from HK$1,391 million a year ago reflecting the full period impact of the retention offers that were made in the first half of 2016. The retention efforts resulted in a stabilized subscriber base of 1,302,000 although at a more moderate exit average revenue per user ("ARPU") of HK$186 at the end of June 2017. Advertising and other revenues of HK$116 million was recorded during the period, reflecting the benign economic environment as well as the continuing shift of advertiser spending to digital platforms.

EBITDA for the six months ended June 30, 2017 declined to HK$154 million from HK$184 million a year ago. This was largely due to higher content costs as well as increased spending on publicity and promotions to retain customers in the face of heightened competition. However, we expect the competition to exhibit more rational behavior which should lead to an improvement in margins.

Now TV will continue to offer customers a wide range of premium content, including an increase in on-demand content, that can be viewed on the TV screen and on smart devices in view of the changing consumer behavior.

Free TV Business

For the six months ended **HK$ million**	**Jun 30, 2016**	**Dec 31, 2016**	**Jun 30, 2017**	Better/ (Worse) y-o-y
Free TV Business Revenue	52	108	**94**	81%
Free TV Business EBITDA[1]	(68)	(115)	**(116)**	(71)%

Advertising revenue at the Free TV business grew by 81% to HK$94 million for the six months ended June 30, 2017 from HK$52 million a year ago primarily due to a full six-month impact following the commencement of the Chinese language channel in April 2016.

During the first half of 2017, the Free TV business strengthened its program lineup with the launch of ViuTV6, our English language channel, and more self-produced local as well as imported dramas on ViuTV to improve engagement with viewers and broaden its viewing base. Despite these continued investments in content, branding and personnel, we controlled the EBITDA loss to HK$116 million which was flat compared to an EBITDA loss of HK$115 million in the second half of 2016.

As ViuTV gradually builds its production library, it will pursue opportunities for overseas distribution. During the period, ViuTV's self-produced programs were broadcast in several markets including mainland China and Indonesia.

OTT Business

For the six months ended **HK$ million**	**Jun 30, 2016**	**Dec 31, 2016**	**Jun 30, 2017**	Better/ (Worse) y-o-y
OTT Business Revenue	271	312	**337**	24%
OTT Business EBITDA[1]	(109)	(126)	**(125)**	(15)%

Revenue for the OTT business, comprising both our OTT video and music services, grew significantly by 24% to HK$337 million for the six months ended June 30, 2017, from HK$271 million a year ago. This growth was underpinned by notable revenue gains in Malaysia and Indonesia and the expansion of our market presence to 8 additional countries during the past 12 months. Our OTT services are now available in 24 markets across Southeast Asia, India, the Middle East and parts of Africa.

The OTT business generates revenue from both subscription services as well as advertising which, during the period, represented 78% and 22% respectively of total revenue for the six months ended June 30, 2017.

Our OTT video services offer a short form, browser based format, operating under the Vuclip brand as well as the Viu service, which focuses on longer form, premium content. The Viu service had attracted more than 12 million monthly active users as of June 30, 2017. These users consumed, on average, almost 15 videos per week and 1 – 2 hours of content per day. Since the launch of the service at the end of 2015, Viu has recorded 886 million cumulative video views. These healthy levels of engagement have attracted strong advertising support for Viu and offer potential opportunities for conversion to the subscription service.

Our OTT music service, which operates through the MOOV brand, is the leading music streaming service in Hong Kong, harnessing the significant customer base of HKT. MOOV launched its services in Vietnam in the second half of 2016 and has plans to expand further in the region to ride on the increasing usage of music streaming services, its high quality experience and diverse music library.

Further investments to support the growth of the OTT business were made in content, branding and new market launches. However, these investments were well contained leading to an EBITDA loss of HK$125 million for the six months ended June 30, 2017, which was steady compared to the EBITDA loss of HK$126 million in the second half of 2016.

Solutions Business

For the six months ended HK$ million	Jun 30, 2016	Dec 31, 2016	Jun 30, 2017	Better/ (Worse) y-o-y
Solutions Business Revenue	1,587	2,235	**1,685**	6%
Solutions Business EBITDA[1]	254	507	**263**	4%
Solutions Business EBITDA[1] margin	*16%*	*23%*	***16%***	

The Solutions business recorded a 6% increase in revenue to HK$1,685 million for the six months ended June 30, 2017, from HK$1,587 million a year ago. Recurring revenue grew by 2% as a result of an expansion in data center operations and technical service related contracts. Project based revenue increased by 11% driven by large scale IT projects such as the Next Generation Smart Identity Card System for the Immigration Department. Revenue with a recurring nature accounted for 54% of the total revenue for the six months ended June 30, 2017 while project based revenue increased its contribution to 46%.

The Solutions business continued to witness increasing enterprise customer demand for applications such as cloud based solutions and infrastructure which increased its revenue contribution to 28% for the six months ended June 30, 2017 from 27% a year ago.

During the period, the Solutions business won a number of large scale IT projects from the public sector in Hong Kong as well as contracts to service the cloud requirements of a number of Hi-Tech customers. As a result, the revenue contribution from the Public Sector for the six months ended June 30, 2017 increased to 40% from 35% a year ago and from the Hi-Tech & Media sector increased to 13% from 8% a year ago.

EBITDA for the six months ended June 30, 2017 increased by 4% to HK$263 million from HK$254 million a year ago, with the margin remaining stable at 16%. This reflected an improved margin for the recurring revenue but a slight decline in the margin for project based revenue arising from the competitive nature of large scale IT projects in the public sector.

The Solutions business had secured orders with a value of HK$6,590 million as at June 30, 2017. Significant new additions included the Hong Kong Identity Card project for the Immigration Department and the provision of data center services to support a number of global cloud service providers.

PCPD

PCPD recorded total revenue of HK$107 million and negative EBITDA of HK$116 million for the six months ended June 30, 2017, compared with total revenue of HK$115 million and negative EBITDA of HK$121 million a year earlier.

PCPD's Pacific Century Place Jakarta has entered the final stage of its construction and is expected to obtain the occupation permit in the third quarter of 2017. During the period, Garena and Shopee, a Singapore-based Internet and mobile platform business, and a major US multinational technology company, have also committed to occupy office space. To date, approximately 40% of office space has been committed.

In Japan, the ground-breaking ceremony for the 100-room hotel Park Hyatt Niseko Hanazono and the 114 branded residences was held in June 2017, with an expected completion date in late 2019. The Group expects to launch the Park Hyatt Niseko Hanazono Residences in several phases over the next two to three years.

For more information about the performance of PCPD, please refer to its 2017 interim results announcement released on August 8, 2017.

Other Businesses

Other Businesses primarily comprises corporate support functions and the wireless broadband business in the United Kingdom ("UKBB"). Revenue from Other Businesses was HK$30 million for the six months ended June 30, 2017 (June 30, 2016: HK$30 million) generated by UKBB. The EBITDA cost of the Group's Other Businesses was HK$304 million (June 30, 2016: HK$304 million) of which HK$49 million was associated with UKBB.

The Group disposed of its wireless broadband business in the United Kingdom in May 2017 for an aggregate consideration of £300 million (equivalent to approximately HK$3,011 million) of which £250 million (equivalent to approximately HK$2,509 million) was paid in cash.

Eliminations

Eliminations for the six months ended June 30, 2017 were HK$1,569 million (June 30, 2016: HK$1,310 million). This continues to reflect the growing collaboration amongst various business segments of the Group to take advantage of our capabilities in offering integrated products and services to consumers and enterprise customers.

Costs

Cost of Sales

For the six months ended HK$ million	Jun 30, 2016	Dec 31, 2016	Jun 30, 2017	Better/ (Worse) y-o-y
HKT	6,973	7,472	**6,508**	7%
The Group (excluding PCPD)	8,457	9,230	**7,936**	6%
Consolidated	8,494	9,249	**7,961**	6%

HKT's cost of sales for the six months ended June 30, 2017 decreased by 7% to HK$6,508 million reflecting lower Mobile handset sales during the period. Gross margin was 58% in the first half of 2017, as compared to 57% a year ago.

Cost of sales for the core businesses decreased by 6%. Gross margin for the core businesses was 55% in the first half of 2017, as compared to 54% a year ago.

The Group's consolidated total cost of sales for the six months ended June 30, 2017 decreased by 6% to HK$7,961 million.

General and Administrative Expenses

For the six months ended June 30, 2017, operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net, ("operating costs") decreased by 8% year-on-year to HK$4,089 million as a result of the recurring cost synergies from the integration of CSL Holdings Limited ("CSL") and continued operating efficiencies at HKT which were offset by additional investments in the Media business to support the growth of the OTT and Free TV businesses. As a result, operating costs to revenue ratio declined slightly to 23%.

Depreciation and amortization expenses increased by 6% year-on-year to HK$3,401 million for the six months ended June 30, 2017. Depreciation expenses declined marginally by 1%. Amortization expenses increased by 9% largely arising from increased investments in content at the OTT and Free TV businesses in the Media segment. Content related amortization for the period was HK$260 million, as compared to HK$150 million a year ago.

As a result, general and administrative expenses decreased by 2% year-on-year to HK$7,498 million for the six months ended June 30, 2017.

EBITDA[1]

Core EBITDA for the six months ended June 30, 2017 expanded slightly to HK$5,749 million with the margin improving to 33% due to the reduced contribution from lower margin Mobile handset sales. Consolidated EBITDA also expanded slightly to HK$5,633 million for the period with the margin improving to 32%.

Other (Losses)/Gains, net

Net other gains of HK$1,190 million were recorded for the six months ended June 30, 2017, as compared to net losses of HK$53 million a year ago, predominantly as a result of the gain recognized from the disposal of the wireless broadband business in the United Kingdom that was completed in May 2017.

Interest Income and Finance Costs

Interest income for the six months ended June 30, 2017 increased to HK$58 million as a result of the increased cash balances of the Group. Finance costs increased by 26% year-on-year to HK$790 million as a result of increased borrowings at HKT to finance the payment for the renewed mobile spectrum in August 2016 and at PCPD to provide funds to support ongoing and future property developments. These increases were offset by the substantial repayment of bank borrowings at the PCCW level. As a result, net finance costs increased by 22% year-on-year to HK$732 million for the six months ended June 30, 2017.

The average cost of debt was 3.0% during the period, as compared to 2.6% a year ago reflecting the increased proportion of fixed rate borrowings.

Income Tax

Income tax expenses for the six months ended June 30, 2017 was HK$263 million, as compared to HK$65 million a year ago, representing an effective tax rate of 9.9% for the period. The increase in tax expense is mainly due to higher taxable profits during the period offset by the recognition of a deferred income tax asset and a credit upon reassessment of certain previously recognized tax items during the six months ended June 30, 2016.

Non-controlling Interests

Non-controlling interests were HK$1,091 million for the six months ended June 30, 2017 (June 30, 2016: HK$836 million), which primarily represented the net profit attributable to the non-controlling shareholders of HKT and PCPD. The increase in non-controlling interests reflected the increase in net profit at HKT and the approximate 11% reduction of PCCW's interest in HKT to approximately 51.97% that was completed in February 2017.

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, 2017 increased by 49% year-on-year to HK$1,293 million (June 30, 2016: HK$868 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.

In February 2017, the Group placed 840,747,000 share stapled units of HKT Trust and HKT ("Share Stapled Units") at a price of HK$10.15 per share stapled unit, raising approximately HK$8,361 million in net proceeds. In May 2017, the Group received net cash proceeds of approximately HK$2,398 million from the disposal of its wireless broadband business in the United Kingdom. The Group used a portion of these proceeds to repay a substantial portion of the bank borrowings at the PCCW level leaving primarily fixed rate bonds in the capital structure.

In March 2017, PCPD took advantage of a favorable market window and raised US$570 million 5-year guaranteed notes at a coupon of 4.75%. The proceeds, of which US$551 million remain in cash balances as of June 30, 2017, are to support ongoing and future property developments including the current projects in Hokkaido, Japan and Jakarta, Indonesia.

The Group's gross debt[2] was HK$46,921 million as at June 30, 2017 (December 31, 2016: HK$46,428 million). Cash and short-term deposit totaled HK$13,204 million as at June 30, 2017 (December 31, 2016: HK$5,210 million). At PCCW (excluding HKT and PCPD), there was a net cash position of HK$2,684 million as at June 30, 2017.

As at June 30, 2017, the Group had a total of HK$38,259 million in committed bank loan facilities available for liquidity management, of which HK$16,559 million remained undrawn. Of these committed bank loan facilities, HKT accounted for HK$27,081 million, of which HK$5,938 million remained undrawn.

The Group's gross debt[2] to total assets was 53% as at June 30, 2017 (December 31, 2016: 58%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2017, 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, 2017 was HK$1,518 million (June 30, 2016: HK$1,595 million), of which HKT accounted for about 88% (June 30, 2016: 93%). Capital expenditure at HKT declined as the CSL integration was completed in the third quarter of 2016 and shifted towards increased investments to meet the demand for HKT's fiber broadband services and customized network solutions for enterprises. There was a slight increase in capital expenditure by the Media business largely for the upgrading of broadcasting equipment as well as a slight increase in capital expenditure by the Solutions business to expand its data center infrastructure. There was also an increase in capital expenditure at PCPD to support the construction of the development of the all-season resort in Hokkaido, Japan.

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

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

As for financing, a significant portion of the Group's debt is denominated in foreign currencies including United States dollars. Accordingly, the Group has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at June 30, 2017, all forward and swap contracts were designated as cash flow hedges and/or fair value hedges for the related borrowings of the Group.

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

CHARGE ON ASSETS

As at June 30, 2017, certain assets of the Group with an aggregate carrying value of HK$890 million (December 31, 2016: HK$3,373 million) were pledged to secure certain bank loan facilities of the Group. As at December 31, 2016, performance guarantee of HK$161 million received in relation to the construction of the premium office building in Jakarta, Indonesia was pledged for certain bank loan facilities. This pledge was released during the six months ended June 30, 2017.

CONTINGENT LIABILITIES

HK$ million	As at Dec 31, 2016 (Audited)	**As at Jun 30, 2017 (Unaudited)**
Performance guarantees	923	**889**
Others	76	**65**
	999	**954**

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 23,800 employees as at June 30, 2017 (June 30, 2016: 24,500) located in over 44 countries and cities. About 64% of these employees work in Hong Kong and the others are based mainly in mainland China, the United States and the Philippines. The Group has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve the Group's business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units and performance ratings of employees.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 8.57 HK cents (June 30, 2016: 8.16 HK cents) per ordinary share for the six months ended June 30, 2017 to shareholders whose names appear on the register of members of the Company on Friday, September 1, 2017, payable on or around Thursday, October 12, 2017.

CLOSURE OF REGISTER OF MEMBERS

The record date for the interim dividend will be Friday, September 1, 2017. The Company's register of members will be closed from Thursday, August 31, 2017 to Friday, September 1, 2017 (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 Wednesday, August 30, 2017. Dividend warrants will be despatched to shareholders on or around Thursday, October 12, 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2017, 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, 2017. 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 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, 2017.

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 2017 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
Bernadette M. Lomas
Group General Counsel and Company Secretary

Hong Kong, August 10, 2017

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2017

In HK$ million (except for earnings per share)	Note(s)	2016 (Unaudited)	**2017 (Unaudited)**
Revenue	2	18,524	**17,683**
Cost of sales		(8,494)	**(7,961)**
General and administrative expenses		(7,627)	**(7,498)**
Other (losses)/gains, net	3	(53)	**1,190**
Interest income		27	**58**
Finance costs		(627)	**(790)**
Share of results of associates		25	**(21)**
Share of results of joint ventures		(6)	**(14)**
Profit before income tax	2, 4	1,769	**2,647**
Income tax	5	(65)	**(263)**
Profit for the period		1,704	**2,384**
Attributable to:			
Equity holders of the Company		868	**1,293**
Non-controlling interests		836	**1,091**
Profit for the period		1,704	**2,384**
Earnings per share	7		
Basic		11.40 cents	**16.79 cents**
Diluted		11.39 cents	**16.77 cents**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2017

In HK$ million	2016 (Unaudited)	**2017 (Unaudited)**
Profit for the period	1,704	**2,384**
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
- exchange differences on translating foreign operations	143	**238**
- reclassification of currency translation reserve	-	**172**
Available-for-sale financial assets:		
- changes in fair value	(4)	**(10)**
Cash flow hedges:		
- effective portion of changes in fair value	522	**(624)**
- transfer from equity to consolidated income statement	(41)	**(217)**
Other comprehensive income/(loss) for the period	620	**(441)**
Total comprehensive income for the period	2,324	**1,943**
Attributable to:		
Equity holders of the Company	1,311	**1,144**
Non-controlling interests	1,013	**799**
Total comprehensive income for the period	2,324	**1,943**

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
As at June 30, 2017

In HK$ million	Note*	The Group As at December 31, 2016 (Audited)	The Group **As at June 30, 2017 (Unaudited)**	(Additional Information) The Company As at December 31, 2016 (Audited)	(Additional Information) The Company **As at June 30, 2017 (Unaudited)**
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		19,701	**20,402**	–	**–**
Investment properties		3,216	**3,697**	–	**–**
Interests in leasehold land		422	**413**	–	**–**
Properties held for/under development		924	**972**	–	**–**
Goodwill		18,095	**18,108**	–	**–**
Intangible assets		11,982	**11,531**	–	**–**
Interests in subsidiaries		–	**–**	17,072	**17,072**
Interests in associates		725	**735**	–	**–**
Interests in joint ventures		628	**611**	–	**–**
Available-for-sale financial assets		1,057	**1,934**	–	**–**
Derivative financial instruments		289	**40**	12	**–**
Deferred income tax assets		1,134	**1,393**	–	**–**
Other non-current assets		897	**1,028**	–	**–**
		59,070	**60,864**	17,084	**17,072**
Current assets					
Amounts due from subsidiaries		–	**–**	21,281	**11,731**
Sales proceeds held in stakeholders' accounts		510	**509**	–	**–**
Restricted cash		139	**144**	–	**–**
Prepayments, deposits and other current assets		9,019	**9,221**	19	**14**
Inventories		943	**1,077**	–	**–**
Amounts due from related companies		98	**89**	–	**–**
Derivative financial instruments		–	**6**	–	**6**
Other financial assets		–	**78**	–	**–**
Trade receivables, net	8	3,778	**3,147**	–	**–**
Tax recoverable		16	**16**	–	**–**
Short-term deposits		453	**3,106**	–	**–**
Cash and cash equivalents		4,751	**10,098**	587	**5,837**
		19,707	**27,491**	21,887	**17,588**
Assets of disposal group classified as held for sale		807	**–**	–	**–**
		20,514	**27,491**	21,887	**17,588**

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION (CONTINUED)
As at June 30, 2017

In HK$ million	Note*	The Group As at December 31, 2016 (Audited)	The Group **As at June 30, 2017 (Unaudited)**	(Additional Information) The Company As at December 31, 2016 (Audited)	(Additional Information) The Company **As at June 30, 2017 (Unaudited)**
Current liabilities					
Short-term borrowings		(457)	**(529)**	–	**–**
Trade payables	9	(2,731)	**(1,929)**	–	**–**
Accruals and other payables		(6,844)	**(7,217)**	(11)	**(10)**
Amount payable to the Government under the Cyberport Project Agreement		(321)	**(321)**	–	**–**
Carrier licence fee liabilities		(173)	**(174)**	–	**–**
Amounts due to related companies		(35)	**(4)**	–	**–**
Advances from customers		(2,160)	**(2,466)**	–	**–**
Current income tax liabilities		(1,327)	**(1,581)**	–	**–**
		(14,048)	**(14,221)**	(11)	**(10)**
Liabilities of disposal group classified as held for sale		(36)	**–**	–	**–**
		(14,084)	**(14,221)**	(11)	**(10)**
Non-current liabilities					
Long-term borrowings	10	(45,131)	**(45,868)**	(3,978)	**–**
Amounts due to subsidiaries		–	**–**	(3,024)	**(3,089)**
Derivative financial instruments		(98)	**(370)**	(84)	**(102)**
Deferred income tax liabilities		(2,916)	**(3,022)**	–	**–**
Deferred income		(1,071)	**(1,088)**	–	**–**
Defined benefit liability		(154)	**(148)**	–	**–**
Carrier licence fee liabilities		(544)	**(496)**	–	**–**
Other long-term liabilities		(810)	**(893)**	–	**–**
		(50,724)	**(51,885)**	(7,086)	**(3,191)**
Net assets		14,776	**22,249**	31,874	**31,459**
CAPITAL AND RESERVES					
Share capital	11	12,954	**12,954**	12,954	**12,954**
Reserves		(928)	**6,382**	18,920	**18,505**
Equity attributable to equity holders of the Company		12,026	**19,336**	31,874	**31,459**
Non-controlling interests		2,750	**2,913**	–	**–**
Total equity		14,776	**22,249**	31,874	**31,459**

* The notes referenced above pertain solely to the consolidated statement of financial position. The above Company statement of financial position as at June 30, 2017 and December 31, 2016 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 (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, 2016.

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 10, 2017.

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, 2016 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, 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

- The Company's auditor has reported on those financial statements of the Group. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

1. BASIS OF PREPARATION (CONTINUED)

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

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2016.

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, 2016, except for the adoption of the following amended Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs (collectively "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2017 as described below.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2017, but have had no material effect on the Group's reported results and financial position for the current and prior accounting periods:

- HKAS 7 (Amendment), Statement of Cash Flows.
- HKAS 12 (Amendment), Income Taxes.
- Annual Improvements to HKFRSs 2014-2016 Cycle published in March 2017 by HKICPA.

The Group has not early 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, 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, Internet portal digital media entertainment platform and directories operations in Hong Kong, mainland China 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, Macau and mainland China.

- 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.

- Other Businesses primarily comprises corporate support functions, and the Group's wireless broadband business in the United Kingdom (until May 2017 when the Group completed the disposal of its entire interest in the wireless broadband business in the United Kingdom).

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, 2016
(In HK$ million)

	HKT (Unaudited)	Media Business (Unaudited)	Solutions Business (Unaudited)	Other Businesses (Unaudited)	PCPD (Unaudited)	Eliminations (Unaudited)	Consolidated (Unaudited)
REVENUE							
Total Revenue	16,388	1,714	1,587	30	115	(1,310)	18,524
RESULTS							
EBITDA	5,865	7	254	(304)	(121)	(92)	5,609

For the six months ended June 30, 2017
(In HK$ million)

	HKT (Unaudited)	**Media Business (Unaudited)**	**Solutions Business (Unaudited)**	**Other Businesses (Unaudited)**	**PCPD (Unaudited)**	**Eliminations (Unaudited)**	**Consolidated (Unaudited)**
REVENUE							
Total Revenue	**15,649**	**1,781**	**1,685**	**30**	**107**	**(1,569)**	**17,683**
RESULTS							
EBITDA	**5,968**	**(87)**	**263**	**(304)**	**(116)**	**(91)**	**5,633**

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

In HK$ million	Six months ended June 30, 2016 (Unaudited)	**Six months ended June 30, 2017 (Unaudited)**
Total segment EBITDA	5,609	**5,633**
Gain/(Loss) on disposal of property, plant and equipment, net	2	**(8)**
Depreciation and amortization	(3,208)	**(3,401)**
Other (losses)/gains, net	(53)	**1,190**
Interest income	27	**58**
Finance costs	(627)	**(790)**
Share of results of associates and joint ventures	19	**(35)**
Profit before income tax	1,769	**2,647**

3. OTHER (LOSSES)/GAINS, NET

In HK$ million	Six months ended June 30, 2016 (Unaudited)	**Six months ended June 30, 2017 (Unaudited)**
Gain on disposal of subsidiaries *(Note 12)*	–	**1,165**
Net gains on fair value hedging instruments	4	**–**
Fair value movement of derivative financial instrument	(60)	**(2)**
Net realized gains on disposal of available-for-sale financial assets	3	**3**
Dividend income	–	**22**
Others	–	**2**
	(53)	**1,190**

4. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK$ million	Six months ended June 30, 2016 (Unaudited)	**Six months ended June 30, 2017 (Unaudited)**
Cost of inventories sold	2,413	**1,847**
Cost of sales, excluding inventories sold	6,081	**6,114**
Depreciation of property, plant and equipment	860	**851**
Amortization of intangible assets	2,337	**2,541**
Amortization of land lease premium – interests in leasehold land	11	**9**
Finance costs on borrowings	623	**767**

5. INCOME TAX

In HK$ million	Six months ended June 30, 2016 (Unaudited)	**Six months ended June 30, 2017 (Unaudited)**
Current income tax:		
Hong Kong profits tax	65	**369**
Overseas tax	47	**44**
Movement of deferred income tax	(47)	**(150)**
	65	**263**

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period. Overseas tax has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the respective jurisdictions.

6. DIVIDENDS

a. Dividend attributable to the interim period

In HK$ million	Six months ended June 30, 2016 (Unaudited)	**Six months ended June 30, 2017 (Unaudited)**
Interim dividend declared after the interim period of 8.57 HK cents (2016: 8.16 HK cents) per ordinary share	629	**662**

At a meeting held on August 10, 2017, the directors declared an interim dividend of 8.57 HK cents per ordinary share for the year ending December 31, 2017. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information.

b. Dividends approved and paid during the interim period

In HK$ million	Six months ended June 30, 2016 (Unaudited)	**Six months ended June 30, 2017 (Unaudited)**
Final dividend in respect of the previous financial year, approved and paid during the interim period of 20.17 HK cents (2016: 17.04 HK cents *(note i)*) per ordinary share	1,299	**1,557**
Less: dividend for shares held by share award schemes	(1)	**(4)**
	1,298	**1,553**

i. Please refer to note 11(a) for the details of shares issued and allotted in lieu of cash dividends during the six months ended June 30, 2016.

7. EARNINGS PER SHARE

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

	Six months ended June 30, 2016 (Unaudited)	**Six months ended June 30, 2017 (Unaudited)**
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per share	868	**1,293**
Number of shares		
Weighted average number of ordinary shares	7,625,980,832	**7,719,638,249**
Effect of shares held under the Company's share award schemes	(12,383,503)	**(16,934,119)**
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,613,597,329	**7,702,704,130**
Effect of shares awarded under the Company's share award schemes	8,279,254	**7,984,225**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,621,876,583	**7,710,688,355**

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, 2016 (Audited)	**As at June 30, 2017 (Unaudited)**
1 – 30 days	2,276	**1,456**
31 – 60 days	510	**582**
61 – 90 days	324	**217**
91 – 120 days	223	**162**
Over 120 days	717	**1,002**
	4,050	**3,419**
Less: Impairment loss for doubtful debts	(272)	**(272)**
	3,778	**3,147**

Included in trade receivables, net were amounts due from related parties of HK$62 million and HK$37 million as at June 30, 2017 and December 31, 2016 respectively.

8. TRADE RECEIVABLES, NET (CONTINUED)

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, 2016 (Audited)	**As at June 30, 2017 (Unaudited)**
1 – 30 days	1,664	**997**
31 – 60 days	155	**174**
61 – 90 days	86	**77**
91 – 120 days	36	**65**
Over 120 days	790	**616**
	2,731	**1,929**

Included in trade payables were amounts due to related parties of HK$58 million and HK$58 million as at June 30, 2017 and December 31, 2016 respectively.

10. LONG-TERM BORROWINGS

On March 9, 2017, PCPD Capital Limited ("PCPD Capital"), an indirect non-wholly owned subsidiary of the Company, issued US$570 million 4.75% guaranteed notes due 2022, which are listed on the Singapore Exchange Securities Trading Limited.

11. SHARE CAPITAL

	Six months ended			
	June 30, 2016		**June 30, 2017**	
	Number of shares (Unaudited)	Share capital (Unaudited) HK$ million	**Number of shares (Unaudited)**	**Share capital (Unaudited) HK$ million**
Ordinary shares, issued and fully paid:				
As at January 1,	7,621,350,679	12,505	**7,719,638,249**	**12,954**
Shares issued in lieu of cash dividends *(note a)*	84,268,778	429	**–**	**–**
As at June 30,	7,705,619,457	12,934	**7,719,638,249**	**12,954**

a. During the six months ended June 30, 2016, the Company issued and allotted 84,268,778 new fully paid shares at HK$5.096 per share to the shareholders who elected to receive shares in lieu of cash for 2015 final dividend pursuant to the scrip dividend scheme.

b. The Company had total distributable reserves of HK$18,508 million as at June 30, 2017 (December 31, 2016: HK$18,855 million).

12. DISPOSAL OF INTERESTS IN SUBSIDIARIES

As at December 31, 2016, the assets and liabilities related to Transvision Investments Limited ("Transvision"), an indirect wholly-owned subsidiary of the Company, and its subsidiaries have been presented as held for sale in the Group's consolidated statement of financial position. UK Broadband Limited, a direct wholly-owned subsidiary of Transvision (together with Transvision, the "Transvision Group"), engages in the provision of wireless broadband services in the United Kingdom. The principal assets of UK Broadband Limited are its holding of certain licences for radio frequency spectrum, its wireless networks and related systems, and its customers.

On February 6, 2017, the Group entered into a share purchase agreement pursuant to which the Group has agreed to sell the entire issued share capital of Transvision to an independent third party (the "Buyer") for £250 million cash (equivalent to approximately HK$2,509 million) and two restricted use credit vouchers issued by the Buyer with a face value of £25 million (equivalent to approximately HK$251 million) each upon completion of the sale under the share purchase agreement. The aggregate consideration is subject to possible adjustment in accordance with the terms of the share purchase agreement. The credit vouchers can be applied against specific domestic service charges (excluding value added tax) payable under a corresponding mobile virtual network operator (MVNO) agreement pursuant to which the Buyer will provide access to capacity on its mobile network. Each credit voucher is transferrable, subject to certain restrictions.

The transaction was completed in May 2017. The fair value of the two credit vouchers was not recognized at the completion of the transaction due to the uncertainty of potential market condition and the range of potential value being too wide for an amount to be measured reliably. The value will be assessed in future reporting periods and recognized once an amount can be measured reliably.

The Group has recognized a gain on disposal of HK$1,165 million in the consolidated income statement during the six months ended June 30, 2017.

13. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT LOSS OF CONTROL

During the six months ended June 30, 2017, the Group completed the placing of 840,747,000 share stapled units of HKT Trust and HKT ("Share Stapled Units") at HK$10.15 per Share Stapled Unit at an aggregate consideration, net of direct expenses, of approximately HK$8,361 million in cash. Accordingly, the Group recognized an increase in non-controlling interests of HKT Trust, HKT and its subsidiaries of approximately HK$642 million and an increase in equity attributable to the equity holders of the Company of approximately HK$7,719 million. Immediately after the completion of the placing, the Group holds approximately 51.97% of the total number of Share Stapled Units in issue, representing a reduction by approximately 11% from that before the placing.

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
Sir David Ford, KBE, LVO; Tse Sze Wing, Edmund, GBS; Lu Yimin (Deputy Chairman); Li Fushen; Shao Guanglu 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.