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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, 2021

The directors (“Directors”) of PCCW Limited (“PCCW” or the “Company”) hereby announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended June 30, 2021. 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 9% to HK\$18,143 million
 - HKT total revenue up 7% to HK\$15,643 million
 - OTT Business revenue up 29% to HK\$646 million
 - Free TV & Related Business revenue up 97% to HK\$256 million
 - Solutions Business revenue up 51% to HK\$2,886 million
- Core EBITDA increased 6% to HK\$5,710 million
 - HKT EBITDA up 3% to HK\$5,715 million
 - OTT Business EBITDA loss narrowed to HK\$20 million
 - Free TV & Related Business EBITDA loss narrowed to HK\$44 million
 - Solutions Business EBITDA up 118% to HK\$491 million
- Consolidated revenue was stable at HK\$18,355 million
- Consolidated EBITDA increased by 4% to HK\$5,608 million
- Consolidated loss attributable to equity holders of the Company for the period narrowed to HK\$315 million
- Interim dividend of 9.36 HK cents per ordinary share

MANAGEMENT REVIEW

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

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

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

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

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

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

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

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

OUTLOOK

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

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

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

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

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

FINANCIAL REVIEW BY SEGMENT

For the six months ended				Better/ (Worse)
HK\$ million				
	Jun 30,	Dec 31,	Jun 30,	
	2020	2020	2021	y-o-y
Revenue				
HKT ⁶	14,606	17,783	15,643	7%
HKT (excluding Mobile Product Sales)	13,636	16,144	14,112	3%
Mobile Product Sales	970	1,639	1,531	58%
Now TV Business	1,270	595	n/a⁶	n/a
OTT Business	502	685	646	29%
Free TV & Related Business	130	187	256	97%
Solutions Business	1,907	2,829	2,886	51%
Eliminations	(1,736)	(2,555)	(1,288)	26%
Core revenue⁵	16,679	19,524	18,143	9%
PCPD	1,602	241	212	(87)%
Consolidated revenue	18,281	19,765	18,355	0%
Cost of sales	(9,689)	(10,807)	(9,815)	(1)%
Operating costs before depreciation, amortization, and loss on disposal of property, plant and equipment, net	(3,176)	(2,396)	(2,932)	8%
EBITDA¹				
HKT ⁶	5,546	6,981	5,715	3%
Now TV Business	198	82	n/a⁶	n/a
OTT Business	(81)	(72)	(20)	75%
Free TV & Related Business	(95)	(70)	(44)	54%
Solutions Business	225	569	491	118%
Other Businesses	(248)	(212)	(237)	4%
Eliminations	(149)	(724)	(195)	(31)%
Core EBITDA^{1,5}	5,396	6,554	5,710	6%
PCPD	20	8	(102)	n/a
Consolidated EBITDA¹	5,416	6,562	5,608	4%
Core EBITDA^{1,5} Margin	32%	34%	31%	
Consolidated EBITDA¹ Margin	30%	33%	31%	
Depreciation	(1,772)	(1,757)	(1,713)	3%
Amortization	(1,953)	(2,401)	(2,174)	(11)%
Loss on disposal of property, plant and equipment, net	-	(1)	(3)	n/a
Other (losses)/gains, net	(61)	(731)	4	n/a
Interest income	35	15	15	(57)%
Finance costs	(998)	(921)	(865)	13%
Share of results of associates and joint ventures	(19)	(6)	(30)	(58)%
Profit before income tax	648	760	842	30%
Income tax	(394)	(365)	(466)	(18)%
Less: Holders of perpetual capital securities	-	-	(109)	n/a
Less: Non-controlling interests	(838)	(831)	(582)	31%
Consolidated loss attributable to equity holders of the Company	(584)	(436)	(315)	46%

- Note 1 EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortization, gain/loss on disposal of property, plant and equipment, investment properties, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*
- Note 2 Gross debt refers to the principal amount of short-term borrowings and long-term borrowings.*
- Note 3 Group capital expenditure includes additions to property, plant and equipment and interests in leasehold land.*
- Note 4 Adjusted funds flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. HKT's adjusted funds flow is computed in accordance with the above definition using financial information derived from HKT's unaudited condensed consolidated interim financial information. The adjusted funds flow may be used for debt repayment.*
- Note 5 Core revenue refers to consolidated revenue excluding PCPD, the Group's property development and investment business; and core EBITDA refers to the consolidated EBITDA excluding PCPD.*
- Note 6 Subsequent to the completion of transfer of the Now TV business to HKT on September 30, 2020, results of the Now TV business are included in the HKT business.*

HKT⁶

For the six months ended HK\$ million	Jun 30, 2020	Dec 31, 2020	Jun 30, 2021	Better/ (Worse) y-o-y
HKT Revenue	14,606	17,783	15,643	7%
TSS	10,386	11,971	10,243	(1)%
- Local TSS Services	6,622	8,091	6,926	5%
- International Telecommunications Services	3,764	3,880	3,317	(12)%
Mobile	4,543	5,823	5,108	12%
Pay TV	–	647	1,231	n/a
Other Businesses	155	210	408	163%
Eliminations	(478)	(868)	(1,347)	(182)%
HKT EBITDA¹	5,546	6,981	5,715	3%
HKT EBITDA¹ margin	38%	39%	37%	
HKT Adjusted Funds Flow⁴	2,280	3,104	2,326	2%

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

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

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

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

HKT⁶ (CONTINUED)

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

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

Adjusted funds flow for the six months ended June 30, 2021 rose to HK\$2,326 million, an increase of 2% over the previous year. The adjusted funds flow per Share Stapled Unit⁴ was 30.70 HK cents.

HKT declared an interim distribution of 30.70 HK cents per Share Stapled Unit.

For a more detailed review of the performance of HKT, including detailed reconciliation between HKT’s EBITDA and adjusted funds flow as well as HKT’s EBITDA and HKT’s profit before income tax, please refer to its 2021 interim results announcement released on August 5, 2021.

OTT Business

For the six months ended HK\$ million	Jun 30, 2020	Dec 31, 2020	Jun 30, 2021	Better/ (Worse) y-o-y
OTT Business Revenue	502	685	646	29%
OTT Business EBITDA¹	(81)	(72)	(20)	75%

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

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

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

OTT Business (CONTINUED)

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

Free TV & Related Business

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

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

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

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

Solutions Business

For the six months ended HK\$ million	Jun 30, 2020	Dec 31, 2020	Jun 30, 2021	Better/ (Worse) y-o-y
Solutions Business Revenue	1,907	2,829	2,886	51%
Solutions Business EBITDA¹	225	569	491	118%
<i>Solutions Business EBITDA¹ margin</i>	<i>12%</i>	<i>20%</i>	<i>17%</i>	

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

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

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

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

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

PCPD

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

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

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

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

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

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

Other Businesses

Other Businesses primarily comprises corporate support functions. The EBITDA cost of the Group's Other Businesses for the six months ended June 30, 2021 was HK\$237 million (June 30, 2020: HK\$248 million).

Eliminations

Eliminations for the six months ended June 30, 2021 were HK\$1,288 million (June 30, 2020: HK\$1,736 million). This reflects the collaboration amongst the Company's business segments mainly including HKT and the Solutions Business to jointly serve both internal and external projects.

Costs

Cost of Sales

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

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

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

General and Administrative Expenses

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

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

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

EBITDA¹

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

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

Interest Income and Finance Costs

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

Income Tax

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

Holdings of Perpetual Capital Securities

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

Non-controlling Interests

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

Consolidated Loss Attributable to Equity Holders of the Company

Consolidated loss attributable to equity holders of the Company for the six months ended June 30, 2021 narrowed to HK\$315 million (June 30, 2020: HK\$584 million).

LIQUIDITY AND CAPITAL RESOURCES

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

The Group's gross debt² was HK\$58,663 million as at June 30, 2021 (December 31, 2020: HK\$56,984 million). Cash and short-term deposits totaled HK\$7,585 million as at June 30, 2021 (December 31, 2020: HK\$4,619 million).

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

The Group's gross debt² to total assets was 57% as at June 30, 2021 (December 31, 2020: 58%).

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

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

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

CAPITAL EXPENDITURE³

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

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

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

HEDGING

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

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

A significant portion of the Group's financing is denominated in foreign currencies including United States dollars. Accordingly, the Group has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at June 30, 2021, the majority of the forward and swap contracts were designated as cash flow hedges and/or fair value hedges for the related financing of the Group.

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

CHARGE ON ASSETS

As at June 30, 2021, certain assets of the Group with an aggregate carrying value of HK\$8,119 million (December 31, 2020: HK\$8,311 million) were pledged to secure certain banking facilities of the Group.

CONTINGENT LIABILITIES

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

The Group operates across several jurisdictions and is subject to certain queries from relevant tax authorities in respect of tax treatment of certain matters currently underway. As at June 30, 2021, the Group is unable to ascertain the likelihood of the outcome of these tax queries, other than those provided for. Based on the currently available information and assessment, the Directors are of the opinion that these cases will not have a significant financial impact to the Group.

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

HUMAN RESOURCES

The Group had over 22,000 employees as at June 30, 2021 (June 30, 2020: 22,800) located in 48 countries and cities. About 62% of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines and Singapore. The Group has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve the Group's business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units and performance ratings of employees.

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The record date for the interim dividend will be Tuesday, August 24, 2021. The Company's register of members will be closed from Monday, August 23, 2021 to Tuesday, August 24, 2021 (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 Friday, August 20, 2021. Dividend warrants will be despatched to shareholders of the Company on or around Friday, September 3, 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated interim financial information of the Group for the six months ended June 30, 2021. Such condensed consolidated interim financial information has not been audited but has been reviewed by the Company's independent auditor.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of its business, and to ensure that its affairs are conducted in accordance with applicable laws and regulations.

The Company has applied the principles, and complied with all applicable code provisions of the Corporate Governance Code (the "CG Code") in each case as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended June 30, 2021. Having regard to the mandatory global travel restrictions in connection with the COVID-19 pandemic, certain Directors participated in the annual general meeting of the Company on May 7, 2021 by video/audio conferencing, and such Directors, including the chairpersons of the Board committees, were available to answer questions at the meeting pursuant to code provision E.1.2 of the CG Code.

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 2021 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 6, 2021

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2021

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2021

In HK\$ million	2020 (Unaudited)	2021 (Unaudited)
Profit for the period	254	376
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
- exchange differences on translating foreign operations	(176)	(304)
- reclassification of currency translation reserve on disposal of subsidiaries	(1)	–
Cash flow hedges:		
- effective portion of changes in fair value	(26)	(90)
- transfer from equity to consolidated income statement	83	21
Costs of hedging	(1)	(2)
Other comprehensive loss for the period	(121)	(375)
Total comprehensive income for the period	133	1
Attributable to:		
Equity holders of the Company	(692)	(464)
Holder of perpetual capital securities	–	109
Non-controlling interests	825	356
Total comprehensive income for the period	133	1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at June 30, 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at June 30, 2021

In HK\$ million	Note*	The Group		(Additional Information) The Company	
		As at December 31, 2020 (Audited)	As at June 30, 2021 (Unaudited)	As at December 31, 2020 (Audited)	As at June 30, 2021 (Unaudited)
CAPITAL AND RESERVES					
Share capital	11	12,954	12,954	12,954	12,954
Reserves		(3,021)	(5,400)	19,319	18,955
Equity attributable to equity holders of the Company					
Perpetual capital securities	12	9,933	7,554	32,273	31,909
Non-controlling interests		3,621	2,977	–	–
Total equity		13,554	16,416	32,273	31,909

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

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

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue on August 6, 2021.

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

The financial information relating to the year ended December 31, 2020 that is included in this unaudited condensed consolidated interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with Section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the financial statements for the year ended December 31, 2020 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).
- The Company’s auditor has reported on those financial statements of the Group. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under Sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

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

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2020.

The accounting policies, basis of presentation and methods of computation used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group’s annual consolidated financial statements for the year ended December 31, 2020, except for the accounting policies introduced for the perpetual capital securities (see note 12).

The Group has not early adopted any new or amended Hong Kong Financial Reporting Standards and HKASs that are not yet effective for the current accounting period.

2. SEGMENT INFORMATION

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

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

- HKT Limited (“HKT”) is Hong Kong’s premier telecommunications service provider. The principal activities of HKT and its subsidiaries are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, media entertainment, enterprise solutions, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centers. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.
- Media Business offers over-the-top digital media entertainment services in Hong Kong, the Asia Pacific region, and other parts of the world and domestic free television service in Hong Kong. Prior to October 1, 2020, Media Business also offered pay-TV services.
- Solutions Business offers Information and Communications Technologies services and solutions in Hong Kong and other parts of Greater China and Asia.
- Pacific Century Premium Developments Limited (“PCPD”) covers the Group’s development and management of premium-grade property and infrastructure projects as well as premium-grade property investments.

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

In HK\$ million	Six months ended June 30, 2020 (Unaudited)							Other [#]	Con- solidated
	Reportable segments								
	HKT	Media Business	Solutions Business	PCPD	Elimina- tions	Total			
REVENUE									
External revenue	14,046	1,264	1,370	1,601	–	18,281	–	18,281	
Inter-segment revenue	560	638	537	1	(1,736)	–	–	–	
Total revenue	14,606	1,902	1,907	1,602	(1,736)	18,281	–	18,281	
External revenue from contracts with customers: Timing of revenue recognition									
At a point in time	1,789	125	31	1,361	–	3,306	–	3,306	
Over time	12,225	1,139	1,339	157	–	14,860	–	14,860	
External revenue from other sources: Rental income	32	–	–	83	–	115	–	115	
	14,046	1,264	1,370	1,601	–	18,281	–	18,281	
RESULTS									
EBITDA	5,546	22	225	20	(149)	5,664	(248)	5,416	
In HK\$ million	Six months ended June 30, 2021 (Unaudited)								
	Reportable segments							Con- solidated	
	HKT	Media Business	Solutions Business	PCPD	Elimina- tions	Total	Other[#]		
REVENUE									
External revenue	14,995	794	2,355	211	–	18,355	–	18,355	
Inter-segment revenue	648	108	531	1	(1,288)	–	–	–	
Total revenue	15,643	902	2,886	212	(1,288)	18,355	–	18,355	
External revenue from contracts with customers: Timing of revenue recognition									
At a point in time	2,863	173	36	36	–	3,108	–	3,108	
Over time	12,106	621	2,319	87	–	15,133	–	15,133	
External revenue from other sources: Rental income	26	–	–	88	–	114	–	114	
	14,995	794	2,355	211	–	18,355	–	18,355	
RESULTS									
EBITDA	5,715	(64)	491	(102)	(195)	5,845	(237)	5,608	

[#] Other primarily comprises corporate support functions.

2. SEGMENT INFORMATION (CONTINUED)

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

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

3. OTHER (LOSSES)/GAINS, NET

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

Note:

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

4. PROFIT BEFORE INCOME TAX

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

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

5. INCOME TAX

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

Hong Kong profits tax is provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the period.

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

6. DIVIDENDS

a. Cash dividend attributable to the interim period

In HK\$ million	Six months ended	
	June 30, 2020 (Unaudited)	June 30, 2021 (Unaudited)
Interim cash dividend declared after the end of the interim period of 9.36 HK cents (2020: 9.18 HK cents) per ordinary share	710	723

At the meeting held on August 6, 2021, the board of directors of the Company (the “Board”) declared an interim cash dividend of 9.36 HK cents per ordinary share for the year ending December 31, 2021. This interim cash dividend is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information.

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

On August 6, 2020, the Board declared a special interim dividend in the form of a distribution in specie of shares of PCPD (the “PCPD Shares”) to the qualifying shareholders in proportion to their then respective shareholdings in the Company (the “Distribution”) on the basis of 85 PCPD Shares for every 1,000 shares of the Company, provided that if certain condition is fulfilled by September 1, 2020, the amount of the Distribution would be increased to 108 PCPD Shares for every 1,000 shares of the Company. With such condition fulfilled in August 2020, the Company made the Distribution of a total of 834,800,925 PCPD Shares with an aggregate market value of HK\$1,603 million to qualifying shareholders on the basis of 108 PCPD Shares for every 1,000 shares of the Company in September 2020. As a result of the Distribution, the Company’s economic interest in PCPD and its subsidiaries (together the “PCPD Group”) reduced from approximately 92.6% to approximately 40.0% with a corresponding increase in non-controlling interests attributable to the PCPD Group of HK\$1,760 million measured according to the attributable carrying amount.

c. Dividend approved and paid during the interim period

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

7. LOSS PER SHARE

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

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

* The effect of shares awarded under the Company's share award schemes would result in anti-dilutive effect on loss per share during the six months ended June 30, 2020 and 2021.

8. TRADE RECEIVABLES, NET

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

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

8. TRADE RECEIVABLES, NET (CONTINUED)

As at June 30, 2021, included in trade receivables, net were amounts due from related parties of HK\$69 million (as at December 31, 2020: HK\$39 million).

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

9. TRADE PAYABLES

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

In HK\$ million	As at December 31, 2020 (Audited)	As at June 30, 2021 (Unaudited)
1 – 30 days	1,936	1,742
31 – 60 days	937	443
61 – 90 days	557	495
91 – 120 days	271	143
Over 120 days	717	846
	4,418	3,669

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

10. LONG-TERM BORROWINGS

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

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

11. SHARE CAPITAL

	Six months ended			
	June 30, 2020		June 30, 2021	
	Number of shares (Unaudited)	Share capital (Unaudited) HK\$ million	Number of shares (Unaudited)	Share capital (Unaudited) HK\$ million
Ordinary shares of no par value, issued and fully paid:				
As at January 1,	7,719,638,249	12,954	7,729,638,249	12,954
Shares issued (<i>note a</i>)	10,000,000	–	–	–
As at June 30,	7,729,638,249	12,954	7,729,638,249	12,954

- a. During the six months ended June 30, 2020, the Company issued and allotted 10,000,000 new fully paid shares for an aggregate consideration of HK\$100,000 (HK\$0.01 per share) under general mandate for grant of awards pursuant to the PCCW Subscription Scheme.
- b. The Company had total distributable reserves of HK\$18,939 million as at June 30, 2021 (December 31, 2020: HK\$19,314 million).

12. PERPETUAL CAPITAL SECURITIES

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

The perpetual capital securities are classified as equity.

13. CHANGE IN OWNERSHIP INTERESTS IN PCPD WITHOUT A LOSS OF CONTROL

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

14. SUBSEQUENT EVENT

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

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

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

Forward-Looking Statements

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