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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 30 JUNE 2023

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 30 June 2023. 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.

- Revenue increased 1% to HK\$16,850 million
 - HKT total revenue grew by 2% to HK\$16,400 million; 3% to HK\$15,247 million excluding Mobile product sales
 - OTT Business revenue surged 24% to HK\$971 million
 - Free TV & Related Business revenue up 1% to HK\$390 million
- EBITDA increased 2% to HK\$5,631 million
 - HKT EBITDA up 3% to HK\$6,009 million
 - OTT Business EBITDA reached HK\$165 million, up more than ninefold year-on-year
 - Free TV & Related Business EBITDA up 5% to HK\$83 million
- Completed formation of strategic partnership with CANAL+ to accelerate growth of Viu via aggregate investment of US\$300 million and various strategic collaboration initiatives
- Loss attributable to equity holders of the Company for the period was HK\$486 million
- Interim dividend of 9.77 HK cents per ordinary share

MANAGEMENT REVIEW

In the first half of 2023, Hong Kong emerged from its COVID restrictions and the economy began to demonstrate positive signs of gradual recovery. With its diversified portfolio of leading media and telecom businesses, PCCW delivered solid operating performance during the period.

Our Media Business maintained momentum across both its over-the-top (“OTT”) and Free TV & Related Business. During the six months ended 30 June 2023, the OTT Business recorded a significant growth of 24% in revenue to HK\$971 million. This was largely driven by Viu, our leading video streaming service, which saw an impressive increase of 30% in revenue underpinned by expansion in monthly active users (“MAU”) and paid subscribers of 8% and 21%, respectively. Viewer engagement remained strong on the back of an offering of high quality Viu Originals that appealed to audiences across its various markets. With this enlarged revenue base, EBITDA for the OTT Business reached HK\$165 million, up more than ninefold year-on-year reflecting the operating leverage of the business.

To accelerate Viu’s growth, we completed a strategic partnership with CANAL+ to pursue expansion in global market reach and collaboration in premium content productions, global intellectual properties and distribution network. With an aggregate investment of US\$300 million, the partnership represents an affirmation of Viu’s leading position in the video streaming markets spanning Asia, the Middle East and South Africa.

Our Free TV & Related Business delivered a steady performance with a 1% increase in revenue to HK\$390 million for the six months ended 30 June 2023. This reflected stable advertising revenue and expanded artiste management and events-related revenues from increased involvement of our artistes in films, music and endorsement opportunities. EBITDA expanded by 5% to reach HK\$83 million on the back of savings in spending on publicity and promotions.

HKT Limited’s (“HKT”) total revenue grew by 2% to HK\$16,400 million despite softer Mobile product sales. HKT revenue excluding Mobile product sales increased by 3% to HK\$15,247 million, reflecting the delivery of digital transformation projects for enterprise and government customers, continued strong demand for our reliable fibre services, gradual recovery in roaming revenue and further momentum in 5G adoption. HKT’s EBITDA increased by 3% to HK\$6,009 million spurred by sustained cost efficiency initiatives across HKT.

On a consolidated basis, the Group’s revenue increased by 1% to HK\$16,850 million and EBITDA increased by 2% to HK\$5,631 million with an improved margin of 33.4%. Loss attributable to equity holders of the Company for the period was HK\$486 million.

The board of Directors (the “Board”) declared an interim dividend of 9.77 HK cents per ordinary share for the six months ended 30 June 2023.

OUTLOOK

With innovation at our core, PCCW is committed to contributing towards Hong Kong's smart city transformation, propelling the flow of knowledge and skills to support cross-industry growth. We will continue to apply our expertise and experience to make the most of emerging opportunities to drive business growth as well as society's advancement for a brighter future.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK\$ million				Better/ (Worse)
	30 Jun 2022 ⁵	31 Dec 2022	30 Jun 2023	y-o-y
Continuing operations⁵				
Revenue				
HKT	16,157	17,968	16,400	2%
HKT (excluding Mobile product sales)	14,868	15,633	15,247	3%
Mobile product sales	1,289	2,335	1,153	(11)%
OTT Business	786	1,226	971	24%
Free TV & Related Business	388	522	390	1%
Other Businesses	400	272	369	(8)%
Eliminations	(993)	(661)	(1,280)	(29)%
Consolidated revenue	16,738	19,327	16,850	1%
Cost of sales	(8,149)	(9,765)	(8,292)	(2)%
Operating costs before depreciation, amortisation, and losses on disposal of property, plant and equipment and right-of-use assets, net	(3,084)	(2,679)	(2,927)	5%
EBITDA¹				
HKT	5,834	7,230	6,009	3%
OTT Business	18	160	165	>800%
Free TV & Related Business	79	18	83	5%
Other Businesses	(285)	(364)	(294)	(3)%
Eliminations	(141)	(161)	(332)	(135)%
Consolidated EBITDA¹	5,505	6,883	5,631	2%
Consolidated EBITDA¹ Margin	33%	36%	33%	
Depreciation	(1,342)	(1,418)	(1,308)	3%
Amortisation	(2,340)	(2,633)	(2,499)	(7)%
Losses on disposal of property, plant and equipment and right-of-use assets, net	-	(2)	-	n/a
Other gains/(losses), net	316	(367)	218	(31)%
Interest income	43	58	87	102%
Finance costs	(721)	(1,105)	(1,153)	(60)%
Share of results of associates and joint ventures	(162)	(116)	(102)	37%
Profit before income tax	1,299	1,300	874	(33)%
Income tax	(474)	(198)	(362)	24%
Holders of perpetual capital securities	(118)	(117)	(118)	0%
Non-controlling interests	(901)	(1,467)	(880)	2%
Loss attributable to equity holders of the Company from continuing operations	(194)	(482)	(486)	(151)%

- Note 1 EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortisation, gains/losses on disposal of property, plant and equipment, 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.*
- Adjusted funds flow per Share Stapled Unit is calculated by dividing the adjusted funds flow for the period by the number of Share Stapled Units in issue as at 30 June 2023.*
- Note 5 Figures are restated to exclude the part of the Solutions Business injected into Lenovo PCCW Solutions Limited, a strategic partnership with Lenovo Group Limited (which is referred to as the ITS Business⁶); such business was reclassified as discontinued operations.*
- Note 6 ITS Business comprises the IT solutions business including but not limited to digital and managed services, technology services and business process outsourcing of Lenovo PCCW Solutions Limited, of which 80% interests thereon were transferred to Lenovo Group Limited in August 2022.*

HKT

For the six months ended HK\$ million	30 Jun 2022	31 Dec 2022	30 Jun 2023	Better/ (Worse) y-o-y
HKT revenue	16,157	17,968	16,400	2%
TSS	11,596	12,376	11,685	1%
- Local TSS Services	7,968	8,535	8,159	2%
- International Telecommunications Services	3,628	3,841	3,526	(3)%
Mobile	4,936	6,630	4,968	1%
- Mobile Services	3,647	4,295	3,815	5%
- Mobile Product Sales	1,289	2,335	1,153	(11)%
Other Businesses	567	314	596	5%
Eliminations	(942)	(1,352)	(849)	10%
HKT EBITDA¹	5,834	7,230	6,009	3%
HKT EBITDA¹ margin	36%	40%	37%	
HKT Adjusted Funds Flow⁴	2,377	3,271	2,429	2%

Hong Kong started to witness economic recovery in the first half of 2023 with the Government unveiling a series of initiatives and the reopening of borders creating upward momentum for local consumption and travel-related spending. Leveraging our leading telecom infrastructure and continual innovation to offer appealing customer-centric services, HKT delivered resilient results for the six months ended 30 June 2023 and is poised to benefit from the continued growth in consumer spending and business investment.

The Mobile business started to record accelerated growth in services revenue of 5% to HK\$3,815 million for the six months ended 30 June 2023. This reflected the gradual recovery in roaming revenue and further 5G adoption by our post-paid customer base. As travel resumed with the full border reopening in the first quarter, the Mobile business witnessed a return in demand for roaming services, particularly outbound roaming. Notably, the number of roamers and consumer outbound roaming revenue in June 2023 surpassed pre-COVID levels. This drove outbound roaming revenue in June 2023 to hit 80% of pre-COVID levels, although cautious sentiment has held back business related travel. As such, total roaming revenue in the first half of 2023 soared by 166% year-on-year, albeit from a low base. 5G penetration continued, although at a slower pace, with the customer base reaching almost 1.2 million, 35% of our total post-paid customers as of 30 June 2023. Total revenue, including Mobile product sales, grew by 1% to HK\$4,968 million, despite softer handset sales although we expect an uplift in the second half as the economic recovery gains momentum and new handsets are released. EBITDA from the Mobile segment increased by 3% to HK\$2,194 million during the period.

HKT (CONTINUED)

Demand for our services from enterprises in Hong Kong, as well as in mainland China, was robust as they accelerated upgrades to their infrastructure and systems in anticipation of the continued recovery of the economy. As a result, local data revenue registered impressive growth of 10% during the period. With continued demand for high-speed, reliable broadband solutions from individuals, households and enterprises in the new normal, broadband revenue increased by 2% year-on-year which was spurred by the further uptake of fibre connectivity and value-added services such as Home Wi-Fi solutions. Our Pay TV business delivered a steady performance in the first half of the year as the appeal of Now TV's diverse content offering, in particular live sporting events, has driven steady growth in customer subscription particularly in the hospitality sector. Consequently, revenue in the Local Telecommunications Services ("TSS") segment grew by 2% to HK\$8,159 million.

Total TSS revenue grew by 1% year-on-year to HK\$11,685 million reflecting steady performance in Local TSS Services revenue which was partially offset by lower revenue in International Telecommunications Services business due to the absence of one-off capacity sales. Total TSS EBITDA increased by 3% to HK\$4,219 million with an improved margin of 36%.

On a consolidated basis, HKT's total revenue, excluding Mobile product sales, for the six months ended 30 June 2023 increased by 3% to HK\$15,247 million, while total revenue increased by 2% to HK\$16,400 million.

Operating costs improved by 4% as a result of enhanced operating efficiencies across HKT, which lifted total EBITDA by 3% year-on-year to HK\$6,009 million with margin improving from 36% to 37%.

Profit attributable to holders of share stapled units of the HKT Trust and HKT ("Share Stapled Units") was HK\$1,952 million for the period, an increase of 2.2% over the previous year. Basic earnings per Share Stapled Unit was 25.77 HK cents.

Adjusted funds flow for the six months ended 30 June 2023 rose to HK\$2,429 million, an increase of 2.2% over the previous year. Adjusted funds flow per Share Stapled Unit⁴ was 32.05 HK cents.

HKT declared an interim distribution of 32.05 HK cents per Share Stapled Unit for the six months ended 30 June 2023.

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 profit before income tax, please refer to its 2023 interim results announcement released on 2 August 2023.

OTT Business

For the six months ended HK\$ million	30 Jun 2022	31 Dec 2022	30 Jun 2023	Better/ (Worse) y-o-y
OTT Business revenue	786	1,226	971	24%
OTT Business EBITDA¹	18	160	165	>800%

The OTT Business registered a significant growth of 24% in revenue, reaching HK\$971 million for the six months ended 30 June 2023. This was primarily due to a 30% year-on-year increase in revenue at Viu, which consolidated its position as one of the top OTT video streaming services in the region. Viu's MAU grew by 8% year-on-year to reach 65.5 million with notable expansion in Indonesia and South Africa. Paid subscribers increased by 21% to 11.0 million as at 30 June 2023, attributable to a deliberate paywall strategy and new distribution partnerships with leading partners such as Astro in Malaysia and Shoprite in South Africa.

Viewer engagement continued to be strong with Viu ranked second in streaming minutes by Media Partners Asia for the 13th consecutive quarter. This was underpinned by the curation and production of high-quality Viu Originals that were well-received throughout the region. Korean drama *Taxi Driver 2* achieved top viewership across all Viu markets for nine consecutive weeks following its debut, along with other Viu Originals in local languages that also topped charts in Indonesia, Thailand, and Malaysia.

Building upon our Viu Originals, Viu Scream Date events have been introduced to provide fans with the opportunity to meet their favourite stars in person. These events help create an enhanced experience beyond screens and strengthen viewer loyalty and engagement, in addition to generating digital content and new revenue streams such as ticketing and sponsorship from global brands. We launched the first Viu Scream Date in March featuring leading Korean actor Lee Je-hoon from the *Taxi Driver* series.

With the enlarged revenue base, EBITDA of the OTT Business reached HK\$165 million, up more than ninefold year-on-year reflecting the operating leverage of the business.

To accelerate Viu's growth, a strategic partnership was formed with CANAL+ to leverage their global strength and expertise to collaborate on premium content productions and content creation, expand Viu's global market reach and further improve the user experience. With an aggregate investment of US\$300 million, the partnership represents an affirmation of Viu's leading position in the video streaming markets spanning Asia, the Middle East and South Africa.

Free TV & Related Business

For the six months ended HK\$ million	30 Jun 2022	31 Dec 2022	30 Jun 2023	Better/ (Worse) y-o-y
Free TV & Related Business revenue	388	522	390	1%
Free TV & Related Business EBITDA¹	79	18	83	5%

Revenue for the Free TV & Related Business increased slightly by 1% to HK\$390 million for the six months ended 30 June 2023. This reflected stable advertising revenue and expanded artiste management and events-related revenues from increased involvement of our artistes in films, music and endorsement opportunities.

As Hong Kong emerged from its prior COVID restrictions, there has been resumption of events during the first half of 2023. ViuTV's artistes have been actively participating in these events, both locally as well as internationally. These included the "HKT x WESTK POPFEST" in Hong Kong and overseas music festivals such as the "One Love Asia Festival" in Malaysia, among others.

During the first half of 2023, there was a shift in TV advertising expenditure from the banking and insurance sectors towards the restaurant and wellness sectors, which immediately benefited from the relaxation of COVID restrictions. As advertising spending continued to shift to digital, ViuTV focused on strengthening its digital engagement which led to a 14% rise year-on-year to reach over 3 million in registered digital members.

Due to savings in spending on publicity and promotions, EBITDA increased by 5% to HK\$83 million for the six months ended 30 June 2023.

ViuTV will continue to foster and invest in its talent and offer a more robust content line-up in the second half of the year. This includes the return of popular game shows and remakes of successful Korean dramas with our own fresh and unique twist. We are committed to sustaining our momentum in content production, artiste management, and event businesses by embracing the evolving landscape of the advertising market.

Other Businesses

Other Businesses primarily comprise the remaining Solutions Business following the deconsolidation of the ITS Business⁶ in 2022 and corporate support functions. It recorded HK\$369 million in revenue and an EBITDA cost of HK\$294 million for the six months ended 30 June 2023.

Eliminations

Eliminations for the six months ended 30 June 2023 were HK\$1,280 million versus HK\$993 million (restated) a year earlier, reflecting collaboration among members of the Group on both internal and external projects.

Costs

Cost of Sales

For the six months ended HK\$ million	30 Jun 2022 ⁵	31 Dec 2022	30 Jun 2023	Better/ (Worse) y-o-y
HKT	8,134	8,960	8,279	(2)%
Consolidated	8,149	9,765	8,292	(2)%

HKT's cost of sales for the six months ended 30 June 2023 increased by 2% year-on-year to HK\$8,279 million, which was in line with the revenue growth during the period. The cost of sales for our Media Business also increased due to the rise in content and event related costs that were necessary to support the growth of the business.

General and Administrative Expenses

For the six months ended 30 June 2023, the Group's operating costs before depreciation, amortisation and losses on disposal of property, plant and equipment and right-of-use assets, net ("operating costs") decreased by 5% to HK\$2,927 million largely due to the improvement in HKT's operating costs which declined by 4% to HK\$2,112 million, reflecting HKT's continued focus on operating efficiency across each of the business lines through digitalising business processes as well as optimising O2O sales channels and retail footprint to drive higher sales efficiency. Overall, operating costs-to-revenue ratio decreased from 18% to 17% for the six months ended 30 June 2023.

Depreciation and amortisation expenses for the six months ended 30 June 2023 increased by 3% to HK\$3,807 million, largely due to a 7% increase in amortisation expenses. The higher amortisation expenses were attributable to investments in the content library of our Media Business for the local Hong Kong market as well as overseas distribution. Content-related amortisation increased to HK\$1,019 million for the period as compared to HK\$738 million a year ago.

Overall, general and administrative expenses was stable at HK\$6,734 million for the six months ended 30 June 2023.

EBITDA¹

Consolidated EBITDA for the six months ended 30 June 2023 increased by 2% to HK\$5,631 million with the margin improving to 33.4% from 32.9% due to enhanced operating efficiencies at HKT and the significant improvement of the EBITDA margin in the Media Business, primarily driven by OTT.

Other Gains, Net

Net other gains for the six months ended 30 June 2023 was HK\$218 million, mainly represented returns from mark-to-market revaluations of the Group's investments.

Interest Income and Finance Costs

Interest income for the six months ended 30 June 2023 was HK\$87 million while finance costs increased by 60% to HK\$1,153 million. The increase in finance costs was largely driven by increases in HIBOR during the period. As a result, net finance costs increased by 57% year-on-year from HK\$678 million to HK\$1,066 million for the six months ended 30 June 2023.

Share of Results of Associates and Joint Ventures

Share of results of associates and joint ventures, primarily included the share of results from the Group's interests in Lenovo PCCW Solutions Limited and Pacific Century Premium Developments Limited, was a loss of HK\$102 million for the six months ended 30 June 2023.

Income Tax

Income tax expense for the six months ended 30 June 2023 was HK\$362 million, as compared to HK\$474 million (restated) a year ago. The decrease in income tax expense was primarily due to an increase in deferred income tax asset recognition during the period and the expiration of tax loss in a company during the same period in the prior year.

Non-controlling Interests for Continuing Operations

Non-controlling interests for continuing operations were HK\$880 million for the six months ended 30 June 2023 (30 June 2022: HK\$901 million), representing primarily the net profit attributable to the non-controlling shareholders of HKT.

Holders of Perpetual Capital Securities

Profit of HK\$118 million for the six months ended 30 June 2023 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.

Loss Attributable to Equity Holders of the Company from Continuing Operations

Loss attributable to equity holders of the Company for the six months ended 30 June 2023 from continuing operations was HK\$486 million (30 June 2022 (restated): HK\$194 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\$51,597 million as at 30 June 2023 (31 December 2022: HK\$49,899 million). Cash and short-term deposits totalled HK\$2,563 million as at 30 June 2023 (31 December 2022: HK\$3,125 million).

As at 30 June 2023, the Group had a total of HK\$48,811 million in banking facilities available for liquidity management and investments, of which HK\$20,719 million remained undrawn. Of these banking facilities, HKT accounted for HK\$33,211 million, of which HK\$10,819 million remained undrawn.

The Group's gross debt² to total assets was 56% as at 30 June 2023 (31 December 2022: 52%).

CREDIT RATINGS OF CAS HOLDING NO. 1 LIMITED AND HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at 30 June 2023, CAS Holding No. 1 Limited, a direct wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service ("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 30 June 2023 was HK\$1,141 million (30 June 2022 (restated): HK\$1,199 million), of which HKT accounted for about 99% (30 June 2022 (restated): 99%). As a result, capital expenditure relative to revenue was 6.8% for the six months ended 30 June 2023 (30 June 2022 (restated): 7.2%).

Capital expenditure for HKT's Mobile business declined during the period reflecting the completion of our territory-wide 5G coverage rollout in 2022, with spending focused on capacity upgrades and indoor coverage enhancement. TSS capital expenditure dropped slightly during the period, with majority of the spending to support growing demand for our unique integrated fixed-mobile solutions including smart city solutions for enterprises. Capital expenditure for Media Business declined marginally during the period.

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 while 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.

HEDGING (CONTINUED)

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 30 June 2023, the majority of the forward and swap contracts were designated as cash flow 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 30 June 2023, no assets of the Group (31 December 2022: nil) were pledged to secure banking facilities for the Group.

CONTINGENT LIABILITIES

HK\$ million	As at 31 Dec 2022 (Audited)	As at 30 Jun 2023 (Unaudited)
Performance guarantees	1,440	1,449
Others	45	42
	<u>1,485</u>	<u>1,491</u>

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 16,200 employees as at 30 June 2023 (30 June 2022: 21,200) located in 25 countries and cities. About 66% of these employees work in Hong Kong and the others are based mainly in mainland China. 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 9.77 HK cents (30 June 2022: 9.56 HK cents) per ordinary share for the six months ended 30 June 2023 to shareholders whose names appear on the register of members of the Company on Tuesday, 22 August 2023, payable on or around Wednesday, 6 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The record date for the interim dividend will be Tuesday, 22 August 2023. The Company's register of members will be closed from Monday, 21 August 2023 to Tuesday, 22 August 2023 (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 4.30pm on Friday, 18 August 2023. Dividend warrants will be despatched to shareholders of the Company on or around Wednesday, 6 September 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2023, 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 30 June 2023. 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 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 30 June 2023.

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 2023 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
Cheung Hok Chee, Vanessa
Group General Counsel and Company Secretary

Hong Kong, 3 August 2023

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

In HK\$ million (except for (loss)/earnings per share)	Note(s)	2022 (Restated)	2023 (Unaudited)
Continuing operations			
Revenue	3	16,738	16,850
Cost of sales		(8,149)	(8,292)
General and administrative expenses		(6,766)	(6,734)
Other gains, net	4	316	218
Interest income		43	87
Finance costs		(721)	(1,153)
Share of results of associates		(153)	(93)
Share of results of joint ventures		(9)	(9)
Profit before income tax	3, 5	1,299	874
Income tax	6	(474)	(362)
Profit for the period from continuing operations		825	512
Discontinued operations			
Profit for the period from discontinued operations	2	106	–
Profit for the period		931	512
Profit/(Loss) attributable to:			
Equity holders of the Company		(88)	(486)
Holders of perpetual capital securities		118	118
Non-controlling interests		901	880
		931	512
(Loss)/Profit attributable to equity holders of the Company arising from:			
Continuing operations		(194)	(486)
Discontinued operations		106	–
		(88)	(486)
(Loss)/Earnings per share	8		
Basic (loss)/earnings per share arising from:			
Continuing operations		(2.51) cents	(6.29) cents
Discontinued operations		1.37 cents	–
		(1.14) cents	(6.29) cents
Diluted (loss)/earnings per share arising from:			
Continuing operations		(2.51) cents	(6.29) cents
Discontinued operations		1.37 cents	–
		(1.14) cents	(6.29) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

In HK\$ million	2022 (Restated)	2023 (Unaudited)
Profit for the period	931	512
Other comprehensive (loss)/income		
Items that will not be reclassified subsequently to consolidated income statement:		
Changes in the fair value of financial assets at fair value through other comprehensive income	—	12
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
- exchange differences on translating foreign operations of subsidiaries	(83)	4
- exchange differences on translating foreign operations of associates and joint ventures	(195)	(8)
- reclassification of currency translation reserve on partial disposal of interests in an associate	(33)	—
Cash flow hedges:		
- effective portion of changes in fair value	101	18
- transfer from equity to consolidated income statement	(42)	(177)
Costs of hedging	34	(33)
Other comprehensive loss for the period	(218)	(184)
Total comprehensive income for the period	713	328
Attributable to:		
Equity holders of the Company	(314)	(578)
Holders of perpetual capital securities	118	118
Non-controlling interests	909	788
Total comprehensive income for the period	713	328
Total comprehensive (loss)/income for the period attributable to equity holders of the Company arising from:		
Continuing operations	(407)	(578)
Discontinued operations	93	—
	(314)	(578)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

In HK\$ million	Note*	The Group		(Additional Information) The Company	
		As at	As at	As at	As at
		31 December 2022 (Audited)	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2023 (Unaudited)
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		26,832	27,344	—	—
Right-of-use assets		2,040	1,865	—	—
Interests in leasehold land		308	299	—	—
Goodwill		17,971	17,977	—	—
Intangible assets		18,341	18,612	—	—
Fulfilment costs		1,658	1,713	—	—
Customer acquisition costs		864	922	—	—
Contract assets		285	286	—	—
Interests in subsidiaries		—	—	35,789	36,738
Interests in associates		2,506	2,187	—	—
Interests in joint ventures		327	320	—	—
Financial assets at fair value through other comprehensive income		701	147	—	—
Financial assets at fair value through profit or loss		2,804	3,370	—	—
Other financial assets		1,596	1,481	—	—
Derivative financial instruments		27	32	—	—
Deferred income tax assets		985	1,001	—	—
Other non-current assets		773	783	—	—
		78,018	78,339	35,789	36,738
Current assets					
Amounts due from subsidiaries		—	—	7,356	6,783
Inventories		2,065	1,987	—	—
Prepayments, deposits and other current assets		3,835	3,382	38	39
Contract assets		2,235	1,245	—	—
Trade receivables, net	9	4,602	3,309	—	—
Amounts due from related companies		751	626	—	—
Derivative financial instruments		58	—	—	—
Restricted cash		375	375	—	—
Short-term deposits		116	79	—	—
Cash and cash equivalents		3,009	2,484	531	189
		17,046	13,487	7,925	7,011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2023

In HK\$ million	Note*	The Group		(Additional Information) The Company	
		As at	As at	As at	As at
		31 December 2022 (Audited)	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2023 (Unaudited)
Current liabilities					
Short-term borrowings		(3,950)	(1,035)	—	—
Trade payables	10	(6,074)	(5,161)	—	—
Accruals and other payables		(8,660)	(6,361)	(18)	(25)
Derivative financial instruments		(98)	(122)	—	—
Carrier licence fee liabilities		(331)	(327)	—	—
Amounts due to related companies		(54)	(65)	—	—
Advances from customers		(286)	(288)	—	—
Contract liabilities		(1,606)	(1,690)	—	—
Lease liabilities		(1,130)	(1,074)	—	—
Current income tax liabilities		(2,185)	(2,150)	(4)	(9)
		(24,374)	(18,273)	(22)	(34)
Non-current liabilities					
Long-term borrowings		(45,571)	(50,320)	(4,907)	(5,664)
Amounts due to subsidiaries		—	—	(6,956)	(7,013)
Derivative financial instruments		(241)	(289)	(4)	(5)
Deferred income tax liabilities		(4,585)	(4,730)	—	—
Defined benefit retirement schemes liability		(69)	(60)	—	—
Carrier licence fee liabilities		(3,340)	(3,275)	—	—
Contract liabilities		(1,031)	(1,033)	—	—
Lease liabilities		(994)	(861)	—	—
Other long-term liabilities		(2,094)	(2,204)	—	—
		(57,925)	(62,772)	(11,867)	(12,682)
Net assets		12,765	10,781	31,825	31,033

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2023

		The Group		(Additional Information) The Company	
		As at 31 December 2022 (Audited)	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)	As at 30 June 2023 (Unaudited)
In HK\$ million	Note*				
CAPITAL AND RESERVES					
Share capital	11	12,954	12,954	12,954	12,954
Reserves		(7,400)	(9,151)	18,871	18,079
Equity attributable to equity holders of the Company					
		5,554	3,803	31,825	31,033
Perpetual capital securities		5,886	5,886	—	—
Non-controlling interests		1,325	1,092	—	—
Total equity		12,765	10,781	31,825	31,033

* The notes referenced above pertain solely to the consolidated statement of financial position. The above Company statement of financial position as at 30 June 2023 and 31 December 2022 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 31 December 2022.

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 3 August 2023.

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 31 December 2022 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 31 December 2022 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 31 December 2022.

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 31 December 2022, except for the adoption of the following amended Hong Kong Financial Reporting Standards (“HKFRSs”) and HKASs which are first effective for accounting periods beginning on or after 1 January 2023 as described below.

1. BASIS OF PREPARATION (CONTINUED)

The following amended HKFRSs and HKASs are adopted for the financial year beginning 1 January 2023, but have no material effect on the Group's reported results and financial position for the current and prior accounting periods.

- HKAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors*
- HKAS 12 (Amendments), *Income Taxes*
- HKFRS 17 and HKFRS 17 (Amendments), *Insurance Contracts*

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

As at 30 June 2023, the current liabilities of the Group exceeded its current assets by HK\$4,786 million. Included in the current liabilities were (i) short-term borrowings of HK\$1,035 million, which represented borrowings with maturity dates fall due within the next 12-month period and the Group has arrangements to refinance this balance via long-term borrowings; and (ii) current portion of contract liabilities of HK\$1,690 million recognised for which no direct cash settlement is required but will gradually reduce over the contract terms through the satisfaction of performance obligations. Also, considering the Group's ability to generate net operating cash inflows and raise additional debt financing, and the undrawn banking facilities totalling HK\$20,719 million as at 30 June 2023, management considers the Group is able to meet its liabilities as and when they fall due within the next 12-month period. Accordingly, this unaudited condensed consolidated interim financial information has been prepared on a going concern basis.

2. DISCONTINUED OPERATIONS

For the purpose of forming a strategic partnership with an independent third party (the "Partner A"), an indirect wholly-owned subsidiary of the Company (the "Seller") entered into a share purchase agreement (the "SPA") with Partner A on 14 June 2022 that, among other things, the Seller has agreed to sell to Partner A 80% interest in Lenovo PCCW Solutions Limited, a then indirect wholly-owned subsidiary of the Company which served as the holding company of part of the IT solutions business (the "ITS Business", which comprised the provision of information technology services, including but not limited to digital and managed services, technology services and business process outsourcing). The transaction was completed on 12 August 2022.

The comparative figures for the six months ended 30 June 2022 in the Group's consolidated income statement and consolidated statement of comprehensive income were restated to reflect the reclassification of the operating results of the ITS Business discontinued (the "Discontinued ITS Business") to discontinued operations in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2. DISCONTINUED OPERATIONS (CONTINUED)

Analysis of the results of discontinued operations is as follows:

In HK\$ million	Six months ended 30 June 2022 (Unaudited)
Revenue (<i>note i</i>)	2,148
Cost of sales	(1,866)
General and administrative expenses	(162)
Other gains, net	20
Profit before income tax	140
Income tax	(34)
Profit from discontinued operations attributable to equity holders of the Company	106

In HK\$ million	Six months ended 30 June 2022 (Unaudited)
Profit from discontinued operations	106
Other comprehensive loss	
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:	
Translation exchange differences:	
- exchange differences on translating foreign operations of subsidiaries	(13)
Total comprehensive income from discontinued operations attributable to equity holders of the Company	93

i. Revenue of discontinued operations

In HK\$ million	Six months ended 30 June 2022 (Unaudited)
External revenue from contracts with customers:	
– recognised at a point in time	27
– recognised over time	1,601
Internal revenue	520
Revenue attributable to Solutions Business segment [#]	2,148
EBITDA* attributable to Solutions Business segment [#]	282

[#] As set out in note 7 of the Group's annual consolidated financial statements for the year ended 31 December 2022

* As defined in note 3

3. 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 technology and telecommunications and related services including enterprise solutions, consumer mobile, total home solutions, digital ventures, healthtech services, and media entertainment. 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 (“OTT”) digital media entertainment services in Hong Kong, the Asia Pacific region, and other parts of the world, in addition to domestic free television service in Hong Kong. It is also engaged in content production, artiste management, and event businesses.
- Other businesses of the Group (“Other Businesses”) primarily comprise remaining solutions business following the discontinuation of ITS Business and corporate support functions.

The segment information for the six months ended 30 June 2022 was restated to i) exclude the operating results of the Discontinued ITS Business (as disclosed in note 2), which were previously classified as part of the Solutions Business segment; and ii) reallocate other Solutions Business retained to Other Businesses segment.

The CODM assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortisation (“EBITDA”). EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortisation, gains/losses on disposal of property, plant and equipment, 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.

3. 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 30 June 2022 (Restated)				
	HKT	Media Business	Other Businesses	Eliminations	Consolidated
REVENUE					
External revenue	15,266	1,072	400	–	16,738
Inter-segment revenue	891	102	–	(993)	–
Total revenue	16,157	1,174	400	(993)	16,738
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	2,535	273	–	–	2,808
Over time	12,697	799	398	–	13,894
External revenue from other sources:					
Rental income	34	–	2	–	36
	15,266	1,072	400	–	16,738
RESULTS					
EBITDA	5,834	97	(285)	(141)	5,505
In HK\$ million	Six months ended 30 June 2023 (Unaudited)				
	HKT	Media Business	Other Businesses	Eliminations	Consolidated
REVENUE					
External revenue	15,335	1,146	369	–	16,850
Inter-segment revenue	1,065	215	–	(1,280)	–
Total revenue	16,400	1,361	369	(1,280)	16,850
External revenue from contracts with customers:					
Timing of revenue recognition					
At a point in time	2,503	272	–	–	2,775
Over time	12,791	874	367	–	14,032
External revenue from other sources:					
Rental income	41	–	2	–	43
	15,335	1,146	369	–	16,850
RESULTS					
EBITDA	6,009	248	(294)	(332)	5,631

3. SEGMENT INFORMATION (CONTINUED)

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

In HK\$ million	Six months ended	
	30 June 2022 (Restated)	30 June 2023 (Unaudited)
Total segment EBITDA	5,505	5,631
Depreciation and amortisation	(3,682)	(3,807)
Other gains, net	316	218
Interest income	43	87
Finance costs	(721)	(1,153)
Share of results of associates and joint ventures	(162)	(102)
Profit before income tax from continuing operations	1,299	874

4. OTHER GAINS, NET

In HK\$ million	Six months ended	
	30 June 2022 (Restated)	30 June 2023 (Unaudited)
Fair value movement of financial assets at FVPL ¹	(38)	187
Fair value movement of derivative financial instruments	51	(13)
Gain on partial disposal of interests in an associate, net	300	–
Others	3	44
	316	218

Note:

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

5. PROFIT BEFORE INCOME TAX

Profit before income tax was stated after charging the following:

In HK\$ million	Six months ended	
	30 June 2022 (Restated)	30 June 2023 (Unaudited)
Cost of inventories sold	2,789	2,553
Cost of sales, excluding inventories sold	5,360	5,739
Impairment loss for trade receivables	86	106
Depreciation of property, plant and equipment	615	621
Depreciation of right-of-use assets	727	687
Amortisation of land lease premium – interests in leasehold land	9	9
Amortisation of intangible assets	1,589	1,655
Amortisation of fulfilment costs	201	215
Amortisation of customer acquisition costs	541	620
Finance costs on borrowings	697	1,098

6. INCOME TAX

In HK\$ million	Six months ended	
	30 June 2022 (Restated)	30 June 2023 (Unaudited)
Current income tax:		
Hong Kong profits tax	200	212
Overseas tax	24	21
Movement of deferred income tax	250	129
	<u>474</u>	<u>362</u>

Hong Kong profits tax is provided at the rate of 16.5% (2022: 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.

7. DIVIDENDS

a. Dividend attributable to the interim period

In HK\$ million	Six months ended	
	30 June 2022 (Unaudited)	30 June 2023 (Unaudited)
Interim dividend declared after the end of the interim period of 9.77 HK cents (2022: 9.56 HK cents) per ordinary share	<u>740</u>	<u>756</u>

At the meeting held on 3 August 2023, the board of directors of the Company (the “Board”) declared an interim dividend of 9.77 HK cents per ordinary share for the year ending 31 December 2023. This interim dividend is not recognised as a liability in this unaudited condensed consolidated interim financial information.

b. Dividend approved and paid during the interim period

In HK\$ million	Six months ended	
	30 June 2022 (Unaudited)	30 June 2023 (Unaudited)
Final dividend declared in respect of the previous financial year, approved and paid during the interim period of 28.48 HK cents (2022: 27.69 HK cents) per ordinary share	2,143	2,204
Less: dividend for shares held by share award schemes	(4)	(3)
	<u>2,139</u>	<u>2,201</u>

8. (LOSS)/EARNINGS PER SHARE

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

	Six months ended	
	30 June 2022 (Restated)	30 June 2023 (Unaudited)
(Loss)/Earnings (in HK\$ million)		
(Loss)/Earnings for the purpose of basic and diluted		
(loss)/earnings per share arising from:		
Continuing operations	(194)	(486)
Discontinued operations	106	–
	<u>(88)</u>	<u>(486)</u>
Number of shares		
Weighted average number of ordinary shares	7,733,174,161	7,739,638,249
Effect of shares held under the Company's share award schemes	(9,898,810)	(13,060,754)
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	7,723,275,351	7,726,577,495
Effect of shares awarded under the Company's share award schemes	5,783,947*	5,538,979*
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	<u>7,729,059,298</u>	<u>7,732,116,474</u>

* The effect of shares awarded under the Company's share award schemes would result in anti-dilutive effect on loss per share of continuing operations during the six months ended 30 June 2022 and 2023.

9. TRADE RECEIVABLES, NET

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

In HK\$ million	As at 31 December 2022 (Audited)	As at 30 June 2023 (Unaudited)
1 – 30 days	2,816	2,192
31 – 60 days	736	215
61 – 90 days	256	156
91 – 120 days	162	216
Over 120 days	920	846
	<u>4,890</u>	<u>3,625</u>
Less: loss allowance	(288)	(316)
Trade receivables, net	<u>4,602</u>	<u>3,309</u>

9. TRADE RECEIVABLES, NET (CONTINUED)

As at 30 June 2023, included in trade receivables, net were amounts due from related parties of HK\$87 million (as at 31 December 2022: HK\$66 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.

10. TRADE PAYABLES

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

In HK\$ million	As at 31 December 2022 (Audited)	As at 30 June 2023 (Unaudited)
1 – 30 days	2,248	3,218
31 – 60 days	1,235	554
61 – 90 days	1,236	433
91 – 120 days	593	247
Over 120 days	762	709
	6,074	5,161

As at 30 June 2023, included in trade payables were amounts due to related parties of HK\$390 million (as at 31 December 2022: HK\$578 million).

11. SHARE CAPITAL

	Six months ended			
	30 June 2022		30 June 2023	
	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 1 January	7,729,638,249	12,954	7,739,638,249	12,954
Shares issued (<i>note a</i>)	10,000,000	–	–	–
As at 30 June	7,739,638,249	12,954	7,739,638,249	12,954

- a. During the six months ended 30 June 2022, 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 share award scheme.
- b. The Company had total distributable reserves of HK\$18,059 million as at 30 June 2023 (as at 31 December 2022: HK\$18,851 million).

12. CHANGE IN INTERESTS IN SUBSIDIARIES WITHOUT A LOSS OF CONTROL

On 21 June 2023, the Company's wholly-owned subsidiary, PCCW Media Holdings Limited, and Viu International Limited ("Viu", a wholly-owned subsidiary of PCCW Media Holdings Limited), entered into a share subscription agreement with an independent third party (the "Partner B"), pursuant to which Partner B shall subscribe for ordinary shares of Viu for an aggregate amount of US\$300 million (subject to the satisfaction or waiver of certain conditions), of which initial subscription of US\$200 million was completed on 21 June 2023. Upon completion of the initial subscription of US\$200 million, the Company's economic interest in Viu decreased from 100% to approximately 73.9%, resulting in an increase in non-controlling interests attributable to Viu of HK\$540 million. Viu is engaged in the provision of OTT video streaming service in Asia, the Middle East and South Africa.

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

Executive Directors

Li Tzar Kai, Richard (Chairman) and Hui Hon Hing, Susanna (Acting Group Managing Director and Group Chief Financial Officer)

Non-Executive Directors

Tse Sze Wing, Edmund, GBS; Tang Yongbo (Deputy Chairman); Meng Shusen; Wang Fang and Wei Zhe, David

Independent Non-Executive Directors

Aman Mehta; Frances Waikwun Wong; Bryce Wayne Lee; Lars Eric Nils Rodert; David Christopher Chance and Sharhan Mohamed Muhseen Mohamed

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.