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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 2022

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 2022. 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$18,256 million
  - HKT total revenue up 3% to HK$16,157 million
  - OTT Business revenue up 22% to HK$786 million
  - Free TV & Related Business revenue up 52% to HK$388 million
  - Solutions Business revenue up 2% to HK$2,548 million

- EBITDA increased 5% to HK$5,787 million
  - HKT EBITDA up 2% to HK$5,834 million
  - OTT Business EBITDA turned positive to HK$18 million
  - Free TV & Related Business EBITDA was HK$79 million
  - Solutions Business EBITDA up 35% to HK$372 million

- Consolidated loss attributable to equity holders of the Company for the period was HK$88 million

- Interim dividend of 9.56 HK cents per ordinary share

MANAGEMENT REVIEW

Impacted by the fifth wave of COVID-19 (the "fifth wave"), Hong Kong and its residents have faced tremendous challenges in the first half of the year leaving the city in search of more innovative ways to bolster its operations. As a member of the community, we strived to support its people and businesses, devising novel applications for technology and to present a suite of the latest products and services in a bid to inject momentum into everyday life.

Our Media Business continued to scale with an increase of 22% and 52% in revenue for the over-the-top ("OTT") Business and Free TV & Related Business to HK$786 million and HK$388 million respectively. Viu, the main component of the OTT Business, consolidated its position as one of the leading video streaming services in Southeast Asia. With its dual revenue model of advertising and subscription, Viu continued to focus on driving expansion in both its monthly active users ("MAUs") and paid subscribers which reached 60.7 million and 9.1 million respectively as of 30 June 2022. Underpinning this growth was Viu's offering of high-quality content appealing to users in its respective markets and also providing opportunities for syndication to international partners. On the back of the enlarged revenue base, the OTT Business turned EBITDA positive, generating HK$18 million for the six months ended 30 June 2022.

The Free TV & Related Business continued to attract viewers with quality local content that led to a 24% improvement in prime-time ratings and growth in the number of advertisers and total advertising revenue despite the weak local economic environment. ViuTV also witnessed a 19% growth in app downloads bolstering our reach to viewers, particularly in the younger, digitally savvy segment. EBITDA was HK$79 million for the six months ended 30 June 2022.

The Solutions Business delivered 2% growth in revenue to HK$2,548 million for the six months ended 30 June 2022 while EBITDA increased 35% to HK$372 million at a margin of 15% due to the enhanced productivity levels. Secured orders as of 30 June 2022 were steady at HK$24,006 million. The Solutions Business has completed the formation of a strategic partnership with Lenovo Group Limited ("Lenovo") to create a leading technology solutions powerhouse. The Solutions Business will continue to deliver its services to existing customers in Hong Kong while the partnership will benefit from Lenovo's global presence to grow in reach and competitiveness in markets across the Asia Pacific region.

HKT Limited's ("HKT") total revenue increased by 3% to HK$16,157 million while total revenue excluding Mobile product sales grew by 5% to HK$14,868 million. Revenue growth was driven by continued strong demand for our reliable, high-speed broadband services alongside the growing adoption of our 5G services by both consumer and enterprise customers. HKT's total EBITDA increased by 2% to HK$5,834 million due to the steady performance of its Telecommunications Services ("TSS") and Mobile businesses and sustained operating efficiencies.

Overall, the Group's revenue increased by 1% to HK$18,256 million and increased by 3% to HK$16,967 million excluding Mobile product sales. EBITDA increased by 5% to HK$5,787 million for the six months ended 30 June 2022. Consolidated loss attributable to equity holders of the Company for the period was HK$88 million.

The board of Directors (the "Board") declared an interim dividend of 9.56 HK cents per ordinary share for the six months ended 30 June 2022.

OUTLOOK

Viu Original Studio, with international collaborations in the pipeline, is poised for more wide-ranging developments, including localising popular classics for different markets to expand Viu's content asset range and widen audience appeal.

The Solutions Business through its partnership with Lenovo will accelerate the expansion of its business across the Asia Pacific region drawing upon their respective strengths. At the same time it will remain dedicated and fully committed to delivering digital and managed services for its existing customers in Hong Kong, particularly those in the public sector.

Alongside HKT, PCCW became The Sandbox's first Hong Kong-based integrated communications, media and technology partner in its foray into the metaverse. Leveraging the Group's comprehensive digital ecosystem, we are well placed to facilitate our customers' enjoyment of the Web3 immersive internet experience.

With the number of COVID cases hovering in the thousands, the second half of the year is shaping up to be a balance between prudent defence and growth exploration. Nevertheless, the Group is positioning itself in the line of opportunities, synergising its businesses and resources for long-term value creation for our shareholders.

FINANCIAL REVIEW BY SEGMENT

For the six months ended **HK$ million** **Continuing operations**[5]	**30 Jun 2021**[5]	**31 Dec 2021**	**30 Jun 2022**	Better/ (Worse) y-o-y
Revenue				
HKT	15,643	18,318	**16,157**	3%
HKT (excluding Mobile Product Sales)	14,112	15,919	**14,868**	5%
Mobile Product Sales	1,531	2,399	**1,289**	(16)%
OTT Business	646	834	**786**	22%
Free TV & Related Business	256	544	**388**	52%
Solutions Business	2,501	2,393	**2,548**	2%
Eliminations	(1,048)	(1,433)	**(1,623)**	(55)%
Consolidated revenue	17,998	20,656	**18,256**	1%
Cost of sales	(9,804)	(11,465)	**(9,845)**	-
Operating costs before depreciation, amortisation, and (losses)/gains on disposal of property, plant and equipment and right-of-use assets, net	(2,700)	(2,376)	**(2,624)**	3%
EBITDA[1]				
HKT	5,715	7,018	**5,834**	2%
OTT Business	(20)	(3)	**18**	n/a
Free TV & Related Business	(44)	138	**79**	n/a
Solutions Business	275	381	**372**	35%
Other Businesses	(237)	(301)	**(375)**	(58)%
Eliminations	(195)	(418)	**(141)**	28%
Consolidated EBITDA[1]	5,494	6,815	**5,787**	5%
Consolidated EBITDA*[1] *Margin	*31%*	*33%*	***32%***	
Depreciation	(1,474)	(1,527)	**(1,436)**	3%
Amortisation	(2,171)	(2,454)	**(2,408)**	(11)%
(Losses)/Gains on disposal of property, plant and equipment and right-of-use assets, net	(1)	34	**-**	n/a
Other gains/(losses), net	17	(62)	**336**	>500%
Interest income	27	42	**43**	59%
Finance costs	(687)	(714)	**(721)**	(5)%
Share of results of associates and joint ventures	(30)	602	**(162)**	(440)%
Profit before income tax	1,175	2,736	**1,439**	22%
Income tax	(436)	(629)	**(508)**	(17)%
Profit for the period from continuing operations	739	2,107	**931**	26%
Holders of perpetual capital securities	(109)	(117)	**(118)**	(8)%
Non-controlling interests	(853)	(1,381)	**(901)**	(6)%
(Loss)/Profit attributable to equity holders of the Company from Continuing Operations	(223)	609	**(88)**	61%
Consolidated (loss)/profit attributable to equity holders of the Company	(315)	1,354	**(88)**	72%

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 2022.

Note 5 *Results reflect the continuing operations of the Company following the divestment of the Data Centre Business and deconsolidation of Pacific Century Premium Developments Limited ("PCPD"). The comparative figures presented were restated to reflect the reclassification between continuing operations and discontinued operations of the Group accordingly.*

HKT

For the six months ended HK$ million	30 Jun 2021	31 Dec 2021	30 Jun 2022	Better/ (Worse) y-o-y
HKT revenue				
TSS	11,030	12,369	11,596	5%
- Local TSS Services	7,713	8,680	7,968	3%
- International Telecommunications Services	3,317	3,689	3,628	9%
Mobile	5,108	6,640	4,936	(3)%
- Mobile Services	3,577	4,241	3,647	2%
- Mobile Product Sales	1,531	2,399	1,289	(16)%
Other Businesses	408	464	567	39%
Eliminations	(903)	(1,155)	(942)	(4)%
Total HKT revenue	15,643	18,318	**16,157**	**3%**
HKT EBITDA[1]	5,715	7,018	**5,834**	**2%**
HKT EBITDA[1] margin	*37%*	*38%*	*36%*	
HKT Adjusted Funds Flow[4]	2,326	3,187	**2,377**	**2%**

The Hong Kong economy entered a pronounced slowdown in the first half of 2022 caused by the onset of the fifth wave. HKT remained focused on its strategic priorities in serving both the consumer and business segments and managed to achieve steady growth during the period although at a level lower than we had expected.

With the subdued consumer sentiment in the first half of 2022, the Mobile business recorded a 2% growth in services revenue to HK$3,647 million for the six months ended 30 June 2022. Local core revenue grew by 2%, benefiting from continued 5G adoption, growth in our post-paid customer base as well as higher revenue contribution from Mobile enterprise solutions. Comparatively lower Mobile product sales were recorded during the period as a result of elevated sales in the first half of 2021 following the delayed launch of popular handset models and the adverse impact of supply chain disruptions. EBITDA from the Mobile segment increased by 2% to HK$2,122 million during the period, in line with growth in Mobile services revenue.

As individuals, households and enterprises returned to hybrid arrangements during the onset of the fifth wave, the TSS business continued to benefit on the back of its reliable and extensive fixed network with revenue growing by 5% to HK$11,596 million. The consumer broadband business witnessed further uptake of its high-speed fibre-to-the-home ("FTTH") services and Home Wi-Fi solutions helping to lift average revenue per user. The enterprise segment continued to demonstrate robust growth as both private enterprises and the public sector accelerated their digital transformation and smart city initiatives. As a result, the local data services business registered a solid revenue growth of 6% during the period. The International Telecommunications Services business achieved 9% growth in revenue, driven by increased global voice revenue, resilient data revenue supported by recent cable projects as well as the growing adoption of our Console Connect platform. Total TSS EBITDA increased by 2% to HK$4,104 million.

HKT (CONTINUED)

As a result, HKT's total revenue for the six months ended 30 June 2022 increased by 3% to HK$16,157 million, while total revenue excluding Mobile product sales increased by 5% to HK$14,868 million. Total EBITDA for the period increased by 2% year-on-year to HK$5,834 million.

Profit attributable to holders of share stapled units of the HKT Trust and HKT ("Share Stapled Units") was HK$1,910 million for the period, an increase of 1% over the previous year. Profit growth was impacted by higher depreciation and amortisation expenses primarily arising from mobile spectrum re-assignment. Basic earnings per Share Stapled Unit was 25.22 HK cents.

Adjusted funds flow for the six months ended 30 June 2022 rose to HK$2,377 million, an increase of 2% over the previous year. Adjusted funds flow per Share Stapled Unit[4] was 31.36 HK cents.

HKT declared an interim distribution of 31.36 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 2022 interim results announcement released on 11 August 2022.

OTT Business

For the six months ended HK$ million	30 Jun 2021	31 Dec 2021	30 Jun 2022	Better/ (Worse) y-o-y
OTT Business revenue	646	834	**786**	22%
OTT Business EBITDA[1]	(20)	(3)	**18**	n/a

The OTT Business continued to scale with a 22% increase in revenue to HK$786 million in the first half of 2022 spurred primarily by growth in our video streaming service, Viu.

With its dual revenue model of advertising and subscriptions, Viu is focused on driving growth in MAUs as well as paid subscribers. For the six months ended 30 June 2022, MAUs grew by 23% year-on-year to reach 60.7 million while Viu's paid subscribers increased 31% year-on-year to 9.1 million. Supported by strong content offerings and expanded partner ecosystem, growth in MAUs and paid subscribers was most notable in the Indonesian, Thailand and Philippines markets.

In terms of content, Viu's strategy is to offer locally relevant content to complement its core strength in Korean dramas. During the first six months of the year, Viu achieved success with a number of Viu Original titles including *Pretty Little Liars (Season 2)* in Indonesia, which was also dubbed in Thai and Tagalog, *She was Pretty* in Malaysia and *Remember 15* in Thailand. *Pretty Little Liars (Season 2)* charted to be one of the "Top 10" titles in terms of aggregate viewership across Indonesia, Malaysia, Thailand, and the Philippines. Riding on the earlier success of Korean Viu Original productions, Viu launched five additional titles in the first half of 2022 aiming at broadening the appeal of Korean content to users.

Our high-quality Viu Original productions also provided international syndication opportunities. A number of Viu Original titles were distributed to regional and global media partners in the first half of the year, including *Assalamualaikum Calon Imam (My Future Husband)*, a Viu Original title produced in Indonesia and distributed to Singapore in partnership with Mediacorp.

On the back of the enlarged revenue base, the OTT Business turned EBITDA positive for the first time since the launch of Viu, generating HK$18 million in the first half of 2022.

Going forward, the OTT Business will continue its strategy in offering locally relevant content, adding ecosystem partners and expanding its international syndication efforts to drive MAUs, paid subscription and revenue.

Free TV & Related Business

For the six months ended HK$ million	30 Jun 2021	31 Dec 2021	30 Jun 2022	Better/ (Worse) y-o-y
Free TV & Related Business revenue	256	544	**388**	52%
Free TV & Related Business EBITDA[1]	(44)	138	**79**	n/a

Despite the challenges of a weak macroeconomic environment, Free TV & Related Business recorded a 52% increase in revenue year-on-year to HK$388 million in the first half of 2022 of which advertising revenue increased by 33% year-on-year.

ViuTV received increased spending from a growing base of returning and new advertisers that span a diverse range of industries including banking and investment, insurance and household goods. Advertisers were attracted by our growing prime-time ratings which increased by 24% in the first half of 2022 as well as the unique demographics of our viewers which tended to be younger and digitally savvy. This was evident in the 19% increase in the number of ViuTV app downloads during the period.

As a result of the growth in viewership and revenue, the Free TV & Related Business generated EBITDA of HK$79 million for the six months ended 30 June 2022, a second consecutive six month period of positive EBITDA.

Going forward, the Free TV & Related Business will continue to deliver quality content, rigorously enhance its operations and expand its partnership outside of the Group's businesses leveraging opportunities such as the upcoming FIFA World Cup Qatar 2022™ later this year.

Solutions Business

For the six months ended HK$ million	30 Jun 2021[5]	31 Dec 2021	30 Jun 2022	Better/ (Worse) y-o-y
Solutions Business revenue	2,501	2,393	**2,548**	2%
Solutions Business EBITDA[1]	275	381	**372**	35%
Solutions Business EBITDA[1] margin	*11%*	*16%*	***15%***	

Revenue for the Solutions Business increased by 2% to HK$2,548 million for the six months ended 30 June 2022 as we progressed and completed mission critical IT projects for customers including Airport Authority Hong Kong and government agencies in Singapore.

Driven by higher productivity, the Solutions Business's EBITDA increased by 35% to HK$372 million with the EBITDA margin improving from 11% to 15% for the six months ended 30 June 2022.

Secured orders as of 30 June 2022 totalled HK$24,006 million. New contract wins included smart city initiatives in building infrastructure to enable automated car parking at the boundary crossing facilities at the Hong Kong International Airport and the provision of agency facilities management services for multiple government agencies in Singapore.

The Solutions Business has completed the formation of strategic partnership with Lenovo to create an Asia Pacific IT powerhouse to address the fast growing regional IT services market. The partnership combines Lenovo's global footprint in more than 180 markets, broad portfolio of end-to-end solutions, solid pedigree in innovation, and strong go-to-market and delivery capabilities with Solutions Business's strengths in systems integration and application development, operational expertise, and highly skilled talent pool. Together, the partnership provides one-stop customer solutions that integrate IT services, devices, and digital infrastructure to address complex IT issues and transformation needs of customers across the region. The Solutions Business will remain dedicated and fully committed to delivering digital and managed services for existing customers in Hong Kong, particularly those in the public sector and via this partnership will fuel the expansion of the business across the Asia Pacific region.

Other Businesses

Other Businesses primarily comprise corporate support functions. The EBITDA cost of the Group's Other Businesses for the six months ended 30 June 2022 was HK$375 million (30 June 2021: HK$237 million), with the increase mainly due to one-off expenses incurred for strategic corporate projects.

Eliminations

Eliminations for the six months ended 30 June 2022 were HK$1,623 million (30 June 2021 (restated): HK$1,048 million), 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 2021[5]**	**31 Dec 2021**	**30 Jun 2022**	Better/ (Worse) y-o-y
HKT	7,550	9,179	**8,134**	(8)%
Consolidated	9,804	11,465	**9,845**	-

HKT's cost of sales for the six months ended 30 June 2022 increased by 8% year-on-year to HK$8,134 million, reflecting the relatively higher costs associated with international voice revenues and in delivering enterprise projects. Cost of sales for the OTT and Free TV & Related Business increased mainly from the growth in content and event-related costs. Cost of sales for the Solutions Business decreased by 2%, benefiting from the increased in productivity. As a result, cost of sales was steady at HK$9,845 million.

General and Administrative Expenses

For the six months ended 30 June 2022, operating costs before depreciation, amortisation and gains/losses on disposal of property, plant and equipment and right-of-use assets, net ("operating costs") decreased by 3% to HK$2,624 million, reflecting primarily HKT's continued focus on operating efficiency across each of the business lines through digitalising business processes as well as optimising offline-to-online sales channels and retail footprint. Overall operating costs-to-revenue ratio for the period improved to 14.4% versus 15.0% a year earlier.

Depreciation and amortisation expenses for the period increased by 5% to HK$3,844 million, largely due to a rise in amortisation expenses of 11% to HK$2,408 million. The higher amortisation expenses were attributable to an increase at HKT from the amortisation of the 1800MHz mobile spectrum licences arising from the re-assignment in 2021 and an increase in amortisation related to content for the Media Business. Content-related amortisation increased to HK$738 million for the period as compared to HK$629 million a year ago.

In total, general and administrative expenses increased by 2% year-on-year to HK$6,468 million for the six months ended 30 June 2022.

EBITDA[1]

Overall, EBITDA for the six months ended 30 June 2022 increased by 5% to HK$5,787 million, with the margin expanding to 32%, primarily due to positive EBITDA from the OTT Business and Free TV & Related Business, increase in EBITDA for the Solutions Business and stable contribution from HKT.

Other Gains/(Losses), Net

Net other gains for the six months ended 30 June 2022 was HK$336 million, compared to HK$17 million a year ago, due to the gain from the partial disposal of the interests in an associate.

Interest Income and Finance Costs

Interest income for the six months ended 30 June 2022 was HK$43 million while finance costs increased to HK$721 million as a result of an increase in the average cost of debt to 2.7% reflecting the overall higher interest rate levels. As a result, net finance costs increased by 3% year-on-year from HK$660 million (restated) to HK$678 million for the six months ended 30 June 2022.

Share of Results of Associates and Joint Ventures

Share of results of associates and joint ventures increased to a loss of HK$162 million from a loss of HK$30 million in the same period a year ago primarily reflecting the recognition of the loss associated with the Group's 30.1% interests in PCPD following its deconsolidation in the second half of 2021.

Income Tax

Income tax expense for the six months ended 30 June 2022 was HK$508 million, as compared to HK$436 million (restated) a year ago. The increase in income tax expense was mainly due to an increase in operating profit during the period.

Non-controlling Interests for Continuing Operations

Non-controlling interests for continuing operations were HK$901 million for the six months ended 30 June 2022 (30 June 2021 (restated): HK$853 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 2022 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.

Consolidated Loss Attributable to Equity Holders of the Company

Consolidated loss attributable to equity holders of the Company for the six months ended 30 June 2022 was HK$88 million (30 June 2021: HK$315 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.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

The Group's gross debt[2] was HK$49,974 million as at 30 June 2022 (31 December 2021: HK$47,006 million). Cash and short-term deposits totalled HK$2,915 million as at 30 June 2022 (31 December 2021: HK$5,036 million).

As at 30 June 2022, the Group had a total of HK$41,807 million in bank loan facilities available for liquidity management and investments, of which HK$19,238 million remained undrawn. Of these bank loan facilities, HKT accounted for HK$31,406 million, of which HK$13,688 million remained undrawn.

The Group's gross debt[2] to total assets was 54% as at 30 June 2022 (31 December 2021: 50%).

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

As at 30 June 2022, CAS Holding No. 1 Limited, a direct wholly-owned subsidiary of the Company, 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 EXPENDITURE[3]

Group capital expenditure for the six months ended 30 June 2022 was HK$1,207 million (30 June 2021 (restated): HK$1,233 million), of which HKT accounted for about 98% (30 June 2021 (restated): 98%). As a result, the capital expenditure to revenue ratio was approximately 6.6% for the period.

Capital expenditure for HKT's Mobile business declined during the period, reflecting the completion of our territory-wide 5G coverage rollout. TSS capital expenditure was steady during the period, of which the majority was incurred to support continued demand for our FTTH services and customised solutions for enterprises. Capital expenditure for the Media and Solutions Businesses remained steady.

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 2022, 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 2022, no assets of the Group (31 December 2021: nil) were pledged to secure banking facilities for the Group.

CONTINGENT LIABILITIES

HK$ million	As at 31 Dec 2021 (Audited)	**As at 30 Jun 2022 (Unaudited)**
Performance guarantees	1,570	**1,610**
Others	160	**40**
	1,730	**1,650**

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 21,200 employees as at 30 June 2022 (30 June 2021 (restated): 21,500) located in 24 countries and cities. About 60% of these employees work in Hong Kong and the others are based mainly in mainland China, Singapore and the Philippines. The Group has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve the Group's business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units and performance ratings of employees.

INTERIM DIVIDEND

The Board declared an interim dividend of 9.56 HK cents (30 June 2021: 9.36 HK cents) per ordinary share for the six months ended 30 June 2022 to shareholders whose names appear on the register of members of the Company on Tuesday, 30 August 2022, payable on or around Friday, 9 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The record date for the interim dividend will be Tuesday, 30 August 2022. The Company's register of members will be closed from Monday, 29 August 2022 to Tuesday, 30 August 2022 (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 ("Shares") accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 26 August 2022. Dividend warrants will be despatched to shareholders of the Company on or around Friday, 9 September 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, 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 2022. 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 (the "Listing Rules") during the six months ended 30 June 2022.

As disclosed in the announcement of the Company dated 24 June 2022 in relation to the resignation of Mr. David Lawrence Herzog as an Independent Non-Executive Director of the Company and thereby as a member of various committees of the Board, the Company will make a further announcement upon an appointment to the Nomination Committee in compliance with Rule 3.27A of the Listing Rules.

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 13 May 2022 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 F.2.2 of the CG Code.

EXTENSION OF DURATION OF PCCW SHARE AWARD SCHEMES

The Company adopted two share incentive award schemes pursuant to which awards of Shares and/or share stapled units of HKT Trust and HKT Limited ("Share Stapled Units") may be made, namely the Purchase Scheme and the Subscription Scheme (collectively the "PCCW Share Award Schemes"). Participants of the PCCW Share Award Schemes include any director or employee of the Company and its participating companies. The purposes and objectives of the PCCW Share Award Schemes are to recognise the contributions by eligible participants and to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The existing term of each of the PCCW Share Award Schemes is due to expire on 14 November 2022. In order to enable the Company to continue granting awards of Shares and/or Share Stapled Units under the PCCW Share Award Schemes, on 12 August 2022, the Board approved the extension of the duration of each of the PCCW Share Award Schemes for a period of 10 years from 15 November 2022. As a result of such extension, each of the PCCW Share Award Schemes shall be valid and effective for a further term of 10 years commencing from 15 November 2022, expiring on 14 November 2032.

Save as disclosed above, all other terms and conditions of the PCCW Share Award Schemes will remain unchanged and shall continue in full force and effect after such extension. A summary of the principal terms of each of the PCCW Share Award Schemes is set forth in the Company's annual reports.

The PCCW Share Award Schemes (as amended and restated) are not share option schemes under Chapter 17 of the Listing Rules currently in force as at the date of this announcement and are discretionary schemes of the Company. No approval from the shareholders of the Company is required for the alteration of the term of the PCCW Share Award Schemes as described above. The Company will be prepared to amend the PCCW Share Award Schemes to the extent necessary in order to ensure compliance with any future amendments to Chapter 17 of the Listing Rules.

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 2022 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, 12 August 2022

CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2022

In HK$ million (except for loss per share)	Note(s)	2021 (Restated)	**2022 (Unaudited)**
Continuing operations			
Revenue	3	17,998	**18,256**
Cost of sales		(9,804)	**(9,845)**
General and administrative expenses		(6,346)	**(6,468)**
Other gains, net	4	17	**336**
Interest income		27	**43**
Finance costs		(687)	**(721)**
Share of results of associates		(20)	**(153)**
Share of results of joint ventures		(10)	**(9)**
Profit before income tax	3, 5	1,175	**1,439**
Income tax	6	(436)	**(508)**
Profit for the period from continuing operations		739	**931**
Discontinued operations			
Loss for the period from discontinued operations	2	(363)	**–**
Profit for the period		376	**931**
Profit/(Loss) attributable to:			
Equity holders of the Company		(315)	**(88)**
Holders of perpetual capital securities		109	**118**
Non-controlling interests		582	**901**
		376	**931**
Loss attributable to equity holders of the Company arising from:			
Continuing operations		(223)	**(88)**
Discontinued operations		(92)	**–**
		(315)	**(88)**
Loss per share	8		
Basic loss per share arising from:			
Continuing operations		(2.89) cents	**(1.14) cents**
Discontinued operations		(1.19) cents	**–**
		(4.08) cents	**(1.14) cents**
Diluted loss per share arising from:			
Continuing operations		(2.89) cents	**(1.14) cents**
Discontinued operations		(1.19) cents	**–**
		(4.08) cents	**(1.14) cents**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2022

In HK$ million	2021 (Restated)	**2022 (Unaudited)**
Profit for the period	376	**931**
Other comprehensive (loss)/income		
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	(317)	**(83)**
- exchange differences on translating foreign operations of associates and joint ventures	13	**(195)**
- reclassification of currency translation reserve on partial disposal of interests in an associate	–	**(33)**
Cash flow hedges:		
- effective portion of changes in fair value	(90)	**101**
- transfer from equity to consolidated income statement	21	**(42)**
Costs of hedging	(2)	**34**
Other comprehensive loss for the period	(375)	**(218)**
Total comprehensive income for the period	1	**713**
Attributable to:		
Equity holders of the Company	(464)	**(314)**
Holders of perpetual capital securities	109	**118**
Non-controlling interests	356	**909**
Total comprehensive income for the period	1	**713**
Total comprehensive loss for the period attributable to equity holders of the Company arising from:		
Continuing operations	(258)	**(314)**
Discontinued operations	(206)	**–**
	(464)	**(314)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

In HK$ million	Note*	The Group As at 31 December 2021 (Audited)	The Group **As at 30 June 2022 (Unaudited)**	(Additional Information) The Company As at 31 December 2021 (Audited)	(Additional Information) The Company **As at 30 June 2022 (Unaudited)**
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		25,866	**26,333**	–	**–**
Right-of-use assets		2,341	**2,221**	–	**–**
Interests in leasehold land		329	**316**	–	**–**
Goodwill		18,248	**17,979**	–	**–**
Intangible assets		18,572	**17,664**	–	**–**
Fulfilment costs		1,512	**1,620**	–	**–**
Customer acquisition costs		879	**825**	–	**–**
Contract assets		300	**281**	–	**–**
Interests in subsidiaries		–	**–**	35,723	**35,789**
Interests in associates		2,095	**1,631**	–	**–**
Interests in joint ventures		397	**353**	–	**–**
Financial assets at fair value through other comprehensive income		124	**124**	–	**–**
Financial assets at fair value through profit or loss		1,731	**2,046**	–	**–**
Other financial assets		1,341	**1,350**	–	**–**
Derivative financial instruments		146	**348**	–	**5**
Deferred income tax assets		788	**706**	–	**–**
Other non-current assets		933	**862**	–	**–**
		75,602	**74,659**	35,723	**35,794**
Current assets					
Amounts due from subsidiaries		–	**–**	1,857	**7,240**
Inventories		1,444	**1,673**	–	**–**
Prepayments, deposits and other current assets		3,137	**3,125**	74	**40**
Contract assets		2,977	**1,986**	–	**–**
Trade receivables, net	9	5,761	**4,819**	–	**–**
Amounts due from related companies		34	**42**	–	**–**
Derivative financial instruments		25	**66**	25	**–**
Tax recoverable		20	**7**	–	**–**
Restricted cash		187	**455**	–	**–**
Short-term deposits		472	**471**	–	**–**
Cash and cash equivalents		4,564	**2,194**	1,430	**241**
		18,621	**14,838**	3,386	**7,521**
Assets of disposal group classified as held for sale	10	–	**3,757**	–	**–**
		18,621	**18,595**	3,386	**7,521**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at 30 June 2022

In HK$ million	Note*	The Group As at 31 December 2021 (Audited)	The Group **As at 30 June 2022 (Unaudited)**	(Additional Information) The Company As at 31 December 2021 (Audited)	(Additional Information) The Company **As at 30 June 2022 (Unaudited)**
Current liabilities					
Short-term borrowings		(2,419)	**(3,965)**	–	**–**
Trade payables	11	(5,770)	**(4,474)**	–	**–**
Accruals and other payables		(8,170)	**(8,503)**	(11)	**(10)**
Derivative financial instruments		–	**(90)**	(4)	**–**
Carrier licence fee liabilities		(315)	**(321)**	–	**–**
Amounts due to related companies		(66)	**(61)**	–	**–**
Advances from customers		(270)	**(281)**	–	**–**
Contract liabilities		(1,658)	**(1,526)**	–	**–**
Lease liabilities		(1,120)	**(1,123)**	–	**–**
Current income tax liabilities		(1,827)	**(1,921)**	–	**(6)**
		(21,615)	**(22,265)**	(15)	**(16)**
Liabilities of disposal group classified as held for sale	10	–	**(370)**	–	**–**
		(21,615)	**(22,635)**	(15)	**(16)**
Non-current liabilities					
Long-term borrowings	12	(44,404)	**(45,834)**	–	**(4,825)**
Amounts due to subsidiaries		–	**–**	(6,902)	**(6,972)**
Derivative financial instruments		(128)	**(76)**	–	**–**
Deferred income tax liabilities		(4,267)	**(4,439)**	–	**–**
Defined benefit retirement schemes liability		(103)	**(97)**	–	**–**
Carrier licence fee liabilities		(3,449)	**(3,517)**	–	**–**
Contract liabilities		(1,159)	**(1,093)**	–	**–**
Lease liabilities		(1,273)	**(1,143)**	–	**–**
Other long-term liabilities		(2,343)	**(2,019)**	–	**–**
		(57,126)	**(58,218)**	(6,902)	**(11,797)**
Net assets		15,482	**12,401**	32,192	**31,502**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2022

In HK$ million	Note*	The Group As at 31 December 2021 (Audited)	The Group **As at 30 June 2022 (Unaudited)**	(Additional Information) The Company As at 31 December 2021 (Audited)	(Additional Information) The Company **As at 30 June 2022 (Unaudited)**
CAPITAL AND RESERVES					
Share capital	13	12,954	**12,954**	12,954	**12,954**
Reserves		(4,477)	**(6,933)**	19,238	**18,548**
Equity attributable to equity holders of the Company		8,477	**6,021**	32,192	**31,502**
Perpetual capital securities		5,886	**5,887**	–	**–**
Non-controlling interests		1,119	**493**	–	**–**
Total equity		15,482	**12,401**	32,192	**31,502**

* The notes referenced above pertain solely to the consolidated statement of financial position. The above Company statement of financial position as at 30 June 2022 and 31 December 2021 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 2021.

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 12 August 2022.

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 2021 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 2021 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 2021.

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 2021, 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 2022 as described below.

1. BASIS OF PREPARATION (CONTINUED)

The following amended HKFRSs and HKASs are adopted for the financial year beginning 1 January 2022, but have no material effect on the Group's reported results and financial position for the current and prior accounting periods.

- HKAS 16 (Amendments), *Property, Plant and Equipment*
- HKAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets*
- HKFRS 3 (Revised) (Amendments), *Business Combinations*
- Annual Improvements to HKFRSs 2018 - 2020

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 2022, the current liabilities of the Group exceeded its current assets by HK$4,040 million. Included in the current liabilities were short-term borrowings of HK$3,965 million, which mainly represented the reclassification of borrowings from non-current liabilities to current liabilities in the current period as their maturity dates fall due within the next 12-month period. The Group has arrangements to refinance this balance via long-term borrowings. As at 30 June 2022, the Group had a total undrawn banking facilities amounted to HK$19,238 million, which would be sufficient to enable the Group 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

Pursuant to the share purchase agreement dated 26 July 2021, the divestment of the Group's entire interests in data centre business in Hong Kong and Malaysia comprising the provision of carrier-neutral colocation services carried on by PCCW Powerbase Data Center Services (HK) Limited and PCCW Solutions Data Centers Malaysia Sdn. Bhd. (the "Discontinued Data Centre Business") was completed on 3 December 2021.

Pursuant to the sale and purchase agreement dated 23 December 2021, the Group completed the sale of approximately 1.1% equity interest in Pacific Century Premium Developments Limited ("PCPD") on 29 December 2021, and the Group's equity interest in PCPD was reduced to approximately 30.1% accordingly. Following the completion of the sale and a change of directorship in the board of directors of PCPD, the Group was no longer considered having de facto control over PCPD with effect from 29 December 2021, and PCPD ceased to be a subsidiary and became an associate of the Group.

The comparative figures for the six months ended 30 June 2021 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 Discontinued Data Centre Business and PCPD 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 2021 (Unaudited)
Revenue (note i)	597
Loss before income tax	(333)
Income tax	(30)
Loss for the period from discontinued operations	(363)
Attributable to:	
Equity holders of the Company	(92)
Non-controlling interests	(271)
	(363)

In HK$ million	Six months ended 30 June 2021 (Unaudited)
Loss for the period from discontinued operations	(363)
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	(295)
Total comprehensive loss for the period from discontinued operations	(658)
Attributable to:	
Equity holders of the Company	(206)
Non-controlling interests	(452)
	(658)

2. DISCONTINUED OPERATIONS (CONTINUED)

Analysis of the results of discontinued operations is as follows: (continued)

i. Revenue of discontinued operations

In HK$ million	Six months ended 30 June 2021 (Unaudited)
External revenue from contracts with customers:	
– recognised at a point in time	36
– recognised over time	334
External revenue – rental income	88
Internal revenue	139
	597
Attributable to:	
– PCPD segment	212
– Solutions Business segment	385
	597

ii. EBITDA* of discontinued operations

In HK$ million	Six months ended 30 June 2021 (Unaudited)
Attributable to:	
– PCPD segment	(102)
– Solutions Business segment	216
	114

* 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 telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, FinTech, e-commerce, big data analytics, media entertainment including the provision of interactive pay-TV services, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centres. 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, in addition to domestic free television service in Hong Kong. It is also engaged in the development of content, talent and events.

- Solutions Business is a leading IT and business process outsourcing provider in Hong Kong, mainland China and Southeast Asia.

The segment information for the six months ended 30 June 2021 was restated to exclude the operating results of the Discontinued Data Centre Business in Solutions Business and PCPD which were classified as discontinued operations as disclosed in note 2.

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 2021 (Restated)						
	Reportable segments					Other[#]	Consolidated
	HKT	Media Business	Solutions Business	Eliminations	Total		
REVENUE							
External revenue	15,096	794	2,108	–	17,998	–	17,998
Inter-segment revenue	547	108	393	(1,048)	–	–	–
Total revenue	15,643	902	2,501	(1,048)	17,998	–	17,998
External revenue from contracts with customers:							
Timing of revenue recognition							
At a point in time	2,917	173	36	–	3,126	–	3,126
Over time	12,153	621	2,072	–	14,846	–	14,846
External revenue from other sources:							
Rental income	26	–	–	–	26	–	26
	15,096	794	2,108	–	17,998	–	17,998
RESULTS							
EBITDA	5,715	(64)	275	(195)	5,731	(237)	5,494

In HK$ million	**Six months ended 30 June 2022 (Unaudited)**						
	Reportable segments					**Other[#]**	**Consolidated**
	HKT	**Media Business**	**Solutions Business**	**Eliminations**	**Total**		
REVENUE							
External revenue	**15,159**	**1,069**	**2,028**	**–**	**18,256**	**–**	**18,256**
Inter-segment revenue	**998**	**105**	**520**	**(1,623)**	**–**	**–**	**–**
Total revenue	**16,157**	**1,174**	**2,548**	**(1,623)**	**18,256**	**–**	**18,256**
External revenue from contracts with customers:							
Timing of revenue recognition							
At a point in time	**2,535**	**273**	**27**	**–**	**2,835**	**–**	**2,835**
Over time	**12,590**	**796**	**1,999**	**–**	**15,385**	**–**	**15,385**
External revenue from other sources:							
Rental income	**34**	**–**	**2**	**–**	**36**	**–**	**36**
	15,159	**1,069**	**2,028**	**–**	**18,256**	**–**	**18,256**
RESULTS							
EBITDA	**5,834**	**97**	**372**	**(141)**	**6,162**	**(375)**	**5,787**

[#] Other primarily comprises corporate support functions.

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 2021 (Restated)	Six months ended **30 June 2022 (Unaudited)**
Total segment EBITDA	5,494	**5,787**
Losses on disposal of property, plant and equipment, net	(1)	**–**
Depreciation and amortisation	(3,645)	**(3,844)**
Other gains, net	17	**336**
Interest income	27	**43**
Finance costs	(687)	**(721)**
Share of results of associates and joint ventures	(30)	**(162)**
Profit before income tax from continuing operations	1,175	**1,439**

4. OTHER GAINS, NET

In HK$ million	Six months ended 30 June 2021 (Restated)	Six months ended **30 June 2022 (Unaudited)**
Fair value gains/(losses) on financial assets at FVPL[1]	12	**(38)**
Fair value movement of derivative financial instruments	(9)	**51**
Gain on partial disposal of interests in an associate, net	–	**300**
Others	14	**23**
	17	**336**

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 2021 (Restated)	Six months ended **30 June 2022 (Unaudited)**
Cost of inventories sold	2,715	**2,758**
Cost of sales, excluding inventories sold	7,089	**7,087**
Impairment loss for trade receivables	113	**131**
Depreciation of property, plant and equipment	685	**660**
Depreciation of right-of-use assets	789	**776**
Amortisation of land lease premium – interests in leasehold land	9	**9**
Amortisation of intangible assets	1,469	**1,657**
Amortisation of fulfilment costs	190	**201**
Amortisation of customer acquisition costs	503	**541**
Finance costs on borrowings	617	**697**

6. INCOME TAX

In HK$ million	Six months ended 30 June 2021 (Restated)	Six months ended **30 June 2022 (Unaudited)**
Current income tax:		
Hong Kong profits tax	196	**207**
Overseas tax	28	**32**
Movement of deferred income tax	212	**269**
	436	**508**

Hong Kong profits tax is provided at the rate of 16.5% (2021: 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 2021 (Unaudited)	**30 June 2022 (Unaudited)**
Interim dividend declared after the end of the interim period of 9.56 HK cents (2021: 9.36 HK cents) per ordinary share	723	**740**

At the meeting held on 12 August 2022, the board of directors of the Company (the "Board") declared an interim dividend of 9.56 HK cents per ordinary share for the year ending 31 December 2022. This interim dividend is not reflected as a dividend payable 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 2021 (Unaudited)	**30 June 2022 (Unaudited)**
Final dividend declared in respect of the previous financial year, approved and paid during the interim period of 27.69 HK cents (2021: 23 HK cents) per ordinary share	1,778	**2,143**
Less: dividend for shares held by share award schemes	(2)	**(4)**
	1,776	**2,139**

8. LOSS PER SHARE

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

	Six months ended	
	30 June 2021 (Restated)	**30 June 2022 (Unaudited)**
Loss (in HK$ million)		
Loss for the purpose of basic and diluted loss per share arising from:		
Continuing operations	(223)	**(88)**
Discontinued operations	(92)	**–**
	(315)	**(88)**
Number of shares		
Weighted average number of ordinary shares	7,729,638,249	**7,733,174,161**
Effect of shares held under the Company's share award schemes	(9,434,537)	**(9,898,810)**
Weighted average number of ordinary shares for the purpose of basic loss per share	7,720,203,712	**7,723,275,351**
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	7,720,203,712	**7,723,275,351**

* 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 30 June 2021 and 2022.

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 2021 (Audited)	**As at 30 June 2022 (Unaudited)**
1 – 30 days	3,831	**3,314**
31 – 60 days	679	**443**
61 – 90 days	284	**268**
91 – 120 days	288	**151**
Over 120 days	1,087	**967**
	6,169	**5,143**
Less: loss allowance	(408)	**(324)**
Trade receivables, net	5,761	**4,819**

9. TRADE RECEIVABLES, NET (CONTINUED)

As at 30 June 2022, included in trade receivables, net were amounts due from related parties of HK$80 million (as at 31 December 2021: HK$43 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. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

For the purpose of forming a strategic partnership with an independent third party (the "Partner"), an indirect wholly-owned subsidiary of the Company (the "Seller") entered into a share purchase agreement (the "SPA") with the Partner on 14 June 2022. Pursuant to the SPA, the Seller has agreed to sell to the Partner (i) 80% interest in PCCW Lenovo Technology Solutions Limited ("PLTS", formerly known as Digital Era Enterprises Limited), an indirect wholly-owned subsidiary of the Company which would serve as the holding company of part of the IT solutions business (the "ITS Business", which comprises the provision of information technology services, including but not limited to digital and managed services, technology services and business process outsourcing) following the reorganisation of the ITS Business; and (ii) a 20% interest in PCCW Network Services Limited, which following the reorganisation would hold a 100% interest in PCCW Solutions Limited (whose principal business is the provision of solutions and services to public sector customers in Hong Kong) and 20% interest in PLTS, for a total consideration of US$614 million (equivalent to approximately HK$4,786 million), subject to certain post-completion adjustments. Of the total consideration, US$514 million (equivalent to approximately HK$4,006 million) will be settled in cash, and US$100 million (equivalent to approximately HK$780 million) will be settled by the issue to the Group of 86,424,677 new shares of the Partner.

As at 30 June 2022, the consolidated assets and liabilities of PLTS and its subsidiaries were presented as held for sale in the Group's consolidated statement of financial position. On 12 August 2022, the transaction was completed and PLTS ceased to be a subsidiary of the Company.

10. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

a. Assets of disposal group classified as held for sale

In HK$ million	As at 30 June 2022 (Unaudited)
Property, plant and equipment, right-of-use assets and interests in leasehold land	**129**
Goodwill	**271**
Intangible assets	**1,033**
Deferred income tax assets	**26**
Inventories	**152**
Prepayments, deposits and other assets	**136**
Contract assets	**1,188**
Trade receivables, net	**572**
Cash and cash equivalents	**250**
	3,757

b. Liabilities of disposal group classified as held for sale

In HK$ million	As at 30 June 2022 (Unaudited)
Trade payables	**160**
Contract liabilities	**45**
Lease liabilities	**76**
Current income tax liabilities	**30**
Deferred income tax liabilities	**41**
Other liabilities	**18**
	370

c. Cumulative other comprehensive loss relating to disposal group classified as held for sale

In HK$ million	As at 30 June 2022 (Unaudited)
Translation exchange differences	**(16)**

11. TRADE PAYABLES

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

In HK$ million	As at 31 December 2021 (Audited)	**As at 30 June 2022 (Unaudited)**
1 – 30 days	2,544	**2,320**
31 – 60 days	807	**745**
61 – 90 days	890	**379**
91 – 120 days	561	**284**
Over 120 days	968	**746**
	5,770	**4,474**

As at 30 June 2022, included in trade payables were amounts due to related parties of HK$49 million (as at 31 December 2021: HK$37 million).

12. LONG-TERM BORROWINGS

On 18 January 2022, HKT Capital No. 6 Limited, an indirect non-wholly owned subsidiary of the Company, issued US$650 million 3.00% guaranteed notes due 2032, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKT Group Holdings Limited ("HKTGH") and Hong Kong Telecommunications (HKT) Limited ("HKTL"), both being indirect non-wholly owned subsidiaries of the Company, and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

13. SHARE CAPITAL

	Six months ended			
	30 June 2021		**30 June 2022**	
	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	**7,729,638,249**	**12,954**
Shares issued *(note a)*	–	–	**10,000,000**	**–**
As at 30 June	7,729,638,249	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$18,528 million as at 30 June 2022 (as at 31 December 2021: HK$19,219 million).

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; Meng Shusen; Wang Fang and Wei Zhe, David

Independent Non-Executive Directors
Aman Mehta; Frances Waikwun Wong; Bryce Wayne Lee; Lars Eric Nils Rodert and David Christopher Chance

Forward-Looking Statements

This announcement may contain certain forward-looking statements. These forward-looking statements include, without limitation, statements relating to revenues, 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.