PCCW Limited
電訊盈科有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 0008)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2019

The directors ("Directors") of PCCW Limited ("PCCW" or the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended June 30, 2019. 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.

- HKT revenue excluding Mobile product sales increased by 1% to HK$13,768 million
- Media business revenue increased by 2% to HK$1,926 million
- Solutions business revenue was steady at HK$1,717 million

- Core revenue excluding Mobile product sales was steady at HK$15,311 million
- Core EBITDA decreased by 4% to HK$5,307 million
- Core profit attributable to equity holders of the Company was HK$308 million

- Consolidated revenue excluding Mobile product sales was steady at HK$15,518 million
- Consolidated profit attributable to equity holders of the Company was HK$163 million

- Basic earnings per share amounted to 2.11 HK cents

- Interim dividend of 9.18 HK cents per ordinary share

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

MANAGEMENT REVIEW

We are pleased to report that PCCW delivered a set of steady financial results for the six months ended June 30, 2019.

During the period, revenue from HKT Limited ("HKT") excluding Mobile product sales recorded 1% growth to HK$13,768 million underpinned by increases across both the Telecommunications Services ("TSS") and Mobile segments. Mobile product sales at HKT were sluggish during the period as consumers delayed upgrades in anticipation of 5G handsets. The Free TV and over-the-top ("OTT") businesses continued to deliver healthy growth with revenue expanding by 28% and 12% respectively from a year ago while the revenue performance at Now TV was steady compared to the prior period which was boosted by the impact of the World Cup. Revenue from the Solutions business held firm at HK$1,717 million. Consequently, core revenue excluding Mobile product sales was steady at HK$15,311 million.

EBITDA at HKT improved by 2% to HK$5,733 million during the period as a result of continued improvements in operating efficiency across both the TSS and Mobile segments. Solutions EBITDA expanded by 8% to HK$293 million due to increased contribution from higher margin cloud solutions revenue as well as the initial benefits of regional expansion. Now TV's EBITDA grew by 3% to HK$204 million as it streamlined its content costs. However, further investments to drive future growth in Free TV and OTT offset these gains and led to PCCW's core EBITDA decreasing by 4% to HK$5,307 million.

During the period, there was a steady increase in occupancy at Pacific Century Place, Jakarta ("PCP, Jakarta") which contributed to revenue at PCPD increasing by 25% to approximately HK$207 million for the six months ended June 30, 2019 as compared to approximately HK$165 million for the corresponding period in 2018.

Consolidated revenue excluding Mobile product sales was steady at HK$15,518 million. Consolidated profit attributable to equity holders of the Company was HK$163 million. Basic earnings per share was 2.11 HK cents.

The board of Directors (the "Board") has resolved to declare an interim dividend of 9.18 HK cents per ordinary share for the six months ended June 30, 2019.

OUTLOOK

Our Media business caters to the different needs of a wide spectrum of viewers in Hong Kong, the region, and beyond. Now TV will focus on driving enhanced profitability and margins as well as increasing its market penetration through the recently launched Now E service. Our OTT service will continue to build its geographical presence in the region and increase user engagement while our Free TV service will strive to further broaden its viewer base as well as explore non-traditional revenue opportunities.

In Hong Kong, PCCW Solutions is expanding its data center infrastructure with additional capacity scheduled to be ready for service and contributing revenue in the second half of 2019. In the region, the Solutions business will continue to replicate the success in Hong Kong and expand its presence in the Southeast Asian markets to serve the increasing demand for IT solutions by enterprises and public organizations.

HKT will seek to further increase profitability and cash flow of its underlying businesses by providing increased value for customers and through improvements in operational efficiencies, while cautiously growing new businesses.

The global economy has been impacted by the escalating U.S.-China trade conflicts and other geopolitical factors, spilling over to Hong Kong which saw much slower economic growth in the first half. In the second half, Hong Kong's economy is set to face increased uncertainties. We will monitor developments closely and exercise caution in pursuing growth on our robust diversified businesses.

FINANCIAL REVIEW BY SEGMENT

For the six months ended HK$ million	Jun 30, 2018	Dec 31, 2018	Jun 30, 2019	Better/ (Worse) y-o-y
Revenue				
HKT	17,022	18,165	**15,109**	(11)%
HKT (excluding Mobile Product Sales)	13,648	15,782	**13,768**	1%
Mobile Product Sales	3,374	2,383	**1,341**	(60)%
Now TV Business	1,392	1,463	**1,358**	(2)%
Free TV Business	99	105	**127**	28%
OTT Business	394	515	**441**	12%
Solutions Business	1,709	2,384	**1,717**	0%
Eliminations	(1,807)	(2,891)	**(2,100)**	(16)%
Core revenue	18,809	19,741	**16,652**	(11)%
PCPD	165	135	**207**	25%
Consolidated revenue	18,974	19,876	**16,859**	(11)%
Cost of sales	(10,152)	(10,490)	**(8,149)**	20%
Operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net	(3,349)	(2,624)	**(3,423)**	(2)%
EBITDA[1]				
HKT	5,639	6,919	**5,733**	2%
Now TV Business	198	273	**204**	3%
Free TV Business	(131)	(219)	**(143)**	(9)%
OTT Business	(144)	(192)	**(235)**	(63)%
Solutions Business	271	809	**293**	8%
Other Businesses	(193)	(400)	**(233)**	(21)%
Eliminations	(87)	(343)	**(312)**	(259)%
Core EBITDA[1]	5,553	6,847	**5,307**	(4)%
PCPD	(80)	(85)	**(20)**	75%
Consolidated EBITDA[1]	5,473	6,762	**5,287**	(3)%
Core EBITDA[1] Margin	*30%*	*35%*	***32%***	
Consolidated EBITDA[1] Margin	*29%*	*34%*	***31%***	
Depreciation	(1,784)	(1,726)	**(1,604)**	10%
Amortization	(1,680)	(1,801)	**(1,710)**	(2)%
Gain/(Loss) on disposal of property, plant and equipment, net	1	(7)	**(2)**	n/a
Other gains, net	334	309	**426**	28%
Interest income	71	63	**40**	(44)%
Finance costs	(893)	(1,006)	**(925)**	(4)%
Share of results of associates and joint ventures	(26)	94	**10**	n/a
Profit before income tax	1,496	2,688	**1,522**	2%
Income tax	(437)	(697)	**(423)**	3%
Non-controlling interests	(874)	(1,279)	**(936)**	(7)%
Profit/(Loss) attributable to equity holders of the Company				
Consolidated	185	712	**163**	(12)%
Core	368	934	**308**	(16)%
PCPD	(183)	(222)	**(145)**	21%

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

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

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

Note 4 *Adjusted funds flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. HKT's adjusted funds flow is computed in accordance with the above definition using financial information derived from the HKT's unaudited condensed consolidated interim financial information. The adjusted funds flow may be used for debt repayment.*

HKT

For the six months ended **HK$ million**	**Jun 30, 2018**	**Dec 31, 2018**	**Jun 30, 2019**	Better/ (Worse) y-o-y
HKT Revenue	17,022	18,165	**15,109**	(11)%
HKT (excluding Mobile Product Sales)	13,648	15,782	**13,768**	1%
Mobile Product Sales	3,374	2,383	**1,341**	(60)%
HKT EBITDA[1]	5,639	6,919	**5,733**	2%
HKT EBITDA[1] margin	*33%*	*38%*	***38%***	
HKT Adjusted Funds Flow[4]	2,205	2,966	**2,272**	3%

HKT delivered another solid set of financial results for the six months ended June 30, 2019, demonstrating the underlying strength of its core businesses and its leading market position as an integrated telecommunications service provider to both consumers and business customers.

During the period, HKT continued to invest for business growth and drive further efficiencies across all lines of its business. Total revenue excluding Mobile product sales increased by 1% to HK$13,768 million, underpinned by steady growth in TSS and Mobile services revenue. Revenue from Mobile product sales of HK$1,341 million was recorded during the period, as compared to HK$3,374 million a year earlier, reflecting the continued lengthening of the handset replacement cycle especially in view of the impending arrival of 5G handsets.

Total EBITDA for the period was HK$5,733 million, an increase of 2% over the same period in 2018, as a result of further operating cost efficiencies. Profit attributable to holders of the share stapled units of the HKT Trust and HKT ("Share Stapled Units") was HK$2,162 million, an increase of 16% over the same period in 2018. Basic earnings per Share Stapled Unit was 28.55 HK cents.

Adjusted funds flow for the six months ended June 30, 2019 expanded by 3% to HK$2,272 million, compared to the same period in 2018. Adjusted funds flow per Share Stapled Unit correspondingly grew by 3% to 30.01 HK cents, as compared to the same period in 2018.

HKT announced an interim distribution of 30.01 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 2019 interim results announcement released on August 7, 2019.

Now TV Business

For the six months ended HK$ million	Jun 30, 2018	Dec 31, 2018	Jun 30, 2019	Better/ (Worse) y-o-y
Now TV Business Revenue	1,392	1,463	**1,358**	(2)%
Now TV Business EBITDA[1]	198	273	**204**	3%
Now TV *Business EBITDA*[1] *margin*	*14%*	*19%*	***15%***	

During the first six months of 2019, Now TV recorded revenue of HK$1,358 million of which HK$1,239 million was subscription revenue, representing over 91% of total revenue, with the remaining revenue from advertising and other sources. Excluding revenue related to the World Cup, which brought notable benefits in 2018, underlying revenue at Now TV grew by 3% year on year. As of June 2019, Now TV had an installed base of 1,341,000 with exit average revenue per user ("ARPU") of HK$174. Now TV has experienced initial success with its new Now E service and believes it will be an important contributor of further growth. The Now E service targets digitally savvy individuals who consume their media through smart devices and is being cross-promoted with HKT's Mobile and LiKE100 services to drive customer take-up.

EBITDA for the six months ended June 30, 2019 was HK$204 million, representing a 3% improvement as compared to HK$198 million a year ago. The EBITDA margin rose to 15% in the first half of 2019 compared to 14% a year earlier, primarily as a result of continued efforts in streamlining content costs.

During the period, Now TV was awarded the exclusive right to broadcast the UEFA EURO 2020™ next summer, which is expected to be one of the revenue drivers in the coming periods.

Free TV Business

For the six months ended **HK$ million**	**Jun 30, 2018**	**Dec 31, 2018**	**Jun 30, 2019**	Better/ (Worse) y-o-y
Free TV Business Revenue	99	105	**127**	28%
Free TV Business EBITDA[1]	(131)	(219)	**(143)**	(9)%

Revenue for ViuTV grew by 28% to HK$127 million for the six months ended June 30, 2019 from HK$99 million a year ago. Advertising revenue held steady during the period despite the impact of the World Cup in the prior period as well as the much slower economic growth in Hong Kong in the first half of 2019. ViuTV's investment in self-produced content, in particular drama programs, has helped to drive local viewership as well as generate revenue through sales to international distribution partners. Following on the success of its entertainment shows, ViuTV is also diversifying into revenue from talent management and events.

Due to the investments in content acquisition and production, EBITDA loss for the six months ended June 30, 2019 was HK$143 million. ViuTV will continue to strive to deliver high quality drama and lifestyle programs to viewers in Hong Kong and explore additional revenue opportunities from these investments.

OTT Business

For the six months ended HK$ million	Jun 30, 2018	Dec 31, 2018	Jun 30, 2019	Better/ (Worse) y-o-y
OTT Business Revenue	394	515	**441**	12%
OTT Business EBITDA[1]	(144)	(192)	**(235)**	(63)%

Revenue from the OTT business grew by 12% to HK$441 million from HK$394 million a year ago underpinned by growth in video OTT revenue which expanded by 24% to HK$345 million. The premium video OTT service, Viu, is now available in 17 markets across the region. Viu's largest markets include Thailand and Singapore with good traction built in Indonesia.

The popularity of the Viu service in the region continued to grow with 36 million monthly active users as of June 30, 2019 as compared to 20 million a year ago. This large base of users increased their engagement watching 30 billion video minutes in the six months ended June 30, 2019 as compared to 15 billion minutes a year ago. This increased engagement is supported by the offering of our Viu Original productions. To cater for the varying characteristics of its users, Viu operates a freemium service which yields both subscription and advertising revenue opportunities.

To enhance Viu's market penetration and drive user engagement, continued investments were made in content and brand building during the period. Consequently, the OTT business recorded an EBITDA loss of HK$235 million for the six months ended June 30, 2019.

Solutions Business

For the six months ended **HK$ million**	**Jun 30,** **2018**	**Dec 31,** **2018**	**Jun 30,** **2019**	Better/ (Worse) y-o-y
Solutions Business Revenue	1,709	2,384	**1,717**	0%
Solutions Business EBITDA[1]	271	809	**293**	8%
Solutions Business EBITDA[1] margin	*16%*	*34%*	***17%***	

Revenue from the Solutions business was stable at HK$1,717 million for the six months ended June 30, 2019. Underlying the revenue performance was a 2% improvement in recurring revenue primarily driven by cloud solutions and infrastructure services. Project-related revenue was steady as the initial progress from the regional expansion was offset by continuing weak corporate spending in the mainland China market amidst the escalating U.S. trade conflict.

Riding on its strong track record, the Solutions business secured projects from existing customers as well as contract wins from new customers. During the period, the Solutions business was awarded another significant project from SPTel in Singapore to deploy an integrated business and operations support system (B/OSS) for business transformation. The Solutions business continued to work with Shin Kong Life Insurance to manage their business process management expansion project and enhance their customer experience. The Solutions business also acquired new customers including a major financial regulator in Hong Kong which is building a next generation licensing platform.

EBITDA for the six months ended June 30, 2019 increased 8% to HK$293 million with an improvement in EBITDA margin to 17%. The growth in EBITDA reflected the increased contribution from higher margin recurring revenue as well as improved management of project delivery costs.

The Solutions business had secured orders of HK$7,406 million as at June 30, 2019. In addition to the above examples, significant wins included a contract awarded to deploy a cloud-based mobile payment platform for a public transportation service provider and the provision of a centralized planning management system for China Mobile.

The Solutions business has played an active role in promoting Hong Kong as a strategic data center hub for the region and, in response to demand, is expected to open a new data center in the second half of 2019. Pre-commitments from leading global technology and financial companies have been secured with 63% of the stage 1 capacity already contracted which will start contributing to revenue in the fourth quarter of 2019.

PCPD

For the six months ended June 30, 2019, PCPD recorded total revenue of HK$207 million, compared with total revenue of HK$165 million a year earlier. PCP, Jakarta recorded a steady leasing performance with 85% of office space reserved or committed.

Solid progress has been made at the Park Hyatt Niseko Hanazono and Park Hyatt Niseko Hanazono Residences ("Branded Residences"). To date, over 90% of the luxury units were sold or reserved and PCPD will continue to market the remaining units at appropriate prices. Completion is expected in the fourth quarter of 2019 with a selection of specialty restaurants, meeting spaces, spa and wellness facilities scheduled to open in early 2020.

The project in Phang-nga, Thailand is underway and sale of the villas is scheduled to begin in the second half of 2019. The development of the golf course and the golf and country club will create a recreation destination for golfers, residents and visitors of the region, which in turn would support the overall development of the site as a residential property development and a resort destination.

Subject to obtaining relevant government approvals, PCPD intends to redevelop the Nos. 3-6 Glenealy in Central into either a luxury residence or for commercial use.

For more information about the performance of PCPD, please refer to its 2019 interim results announcement released on August 7, 2019.

Other Businesses

Other Businesses primarily comprises corporate support functions. The EBITDA cost of the Group's Other Businesses for the six months ended June 30, 2019 was HK$233 million (June 30, 2018: HK$193 million).

Eliminations

Eliminations for the six months ended June 30, 2019 were HK$2,100 million (June 30, 2018: HK$1,807 million). This reflects the continued collaboration amongst the Company's business segments to offer a quad-play proposition for our consumer segment and total solutions for our enterprise customers.

Costs

Cost of Sales

For the six months ended HK$ million	Jun 30, 2018	Dec 31, 2018	Jun 30, 2019	Better/ (Worse) y-o-y
HKT	8,858	9,122	**6,950**	22%
The Group (excluding PCPD)	10,125	10,467	**8,118**	20%
Consolidated	10,152	10,490	**8,149**	20%

HKT's cost of sales for the six months ended June 30, 2019 decreased by 22% year-on-year to HK$6,950 million, reflecting the lower Mobile product sales during the period. Gross margin of HKT, therefore, improved to 54% in the first half of 2019, as compared to 48% a year earlier. Excluding Mobile product sales, gross margin of HKT was steady at 59% for the period.

Cost of sales for the core businesses decreased by 20% primarily driven by lower Mobile product sales at HKT and a lower cost of sales at Now TV following the streamlining of content costs. Gross margin for the core businesses improved to 51% in the first half of 2019, as compared to 46% a year ago.

The Group's consolidated total cost of sales for the six months ended June 30, 2019 decreased by 20% to HK$8,149 million.

General and Administrative Expenses

For the six months ended June 30, 2019, operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net, ("operating costs") increased by 2% to HK$3,423 million. There were further operating costs efficiencies across HKT although this was offset by further investments to drive growth in the Free TV and OTT businesses.

Amortization expenses increased by 2% in line with the increased investments in content for the Free TV and OTT businesses. Content related amortization for the period was HK$416 million, as compared to HK$304 million a year ago. Depreciation expenses for the period decreased by 10% to HK$1,604 million due to the reduction in the depreciation charge associated with right-of-use assets following HKT's retail shop rationalization, and ongoing periodic review of the useful lives of HKT's network assets.

As a result, general and administrative expenses decreased slightly by 1% year-on-year to HK$6,739 million for the six months ended June 30, 2019.

EBITDA[1]

Core EBITDA for the six months ended June 30, 2019 decreased by 4% to HK$5,307 million while the margin improved to 32% reflecting the lower Mobile product sales. Excluding Mobile product sales, the core EBITDA margin was steady at 35%.

Other Gains, Net

Net other gains of HK$426 million were recorded for the six months ended June 30, 2019 as compared to HK$334 million a year ago. This was mainly due to a fair value gain on network capacity access rights.

Interest Income and Finance Costs

Interest income for the six months ended June 30, 2019 was HK$40 million while finance costs increased by 4% year-on-year to HK$925 million as a result of generally higher HIBOR during the period. As a result, net finance costs increased by 8% year-on-year to HK$885 million for the six months ended June 30, 2019. The average cost of debt was 3.4% during the period, as compared to 3.2% a year ago. We will continue to closely monitor the interest rate environment to optimize the ratio of floating to fixed rate debt.

Income Tax

Income tax expense for the six months ended June 30, 2019 was HK$423 million, as compared to HK$437 million a year ago, reflecting the underlying trend in the Group's profit before tax.

Non-controlling Interests

Non-controlling interests were HK$936 million for the six months ended June 30, 2019 (June 30, 2018: HK$874 million), which primarily represented the net profit attributable to the non-controlling shareholders of HKT and PCPD.

Consolidated Profit Attributable to Equity Holders of the Company

Consolidated profit attributable to equity holders of the Company for the six months ended June 30, 2019 was HK$163 million (June 30, 2018: HK$185 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 debt[2] was HK$51,033 million as at June 30, 2019 (December 31, 2018: HK$50,240 million). Cash and short-term deposits totaled HK$3,462 million as at June 30, 2019 (December 31, 2018: HK$7,361 million).

As at June 30, 2019, the Group had a total of HK$46,768 million in committed bank loan facilities available for liquidity management and investment, of which HK$20,410 million remained undrawn. Of these committed bank loan facilities, HKT accounted for HK$31,888 million, of which HK$9,156 million remained undrawn.

The Group's gross debt[2] to total assets was 55% as at June 30, 2019 (December 31, 2018: 53%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2019, Hong Kong Telecommunications (HKT) Limited, an indirect non-wholly owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB).

CAPITAL EXPENDITURE[3]

Group capital expenditure for the six months ended June 30, 2019 was HK$2,055 million (June 30, 2018: HK$1,713 million), of which HKT accounted for about 65% (June 30, 2018: 79%). Capital expenditure at HKT was primarily incurred for critical infrastructure enhancements, network capacity expansion to support data traffic growth and preparation for 5G rollout, continued demand for fiber-to-the-home ("FTTH") services and undersea cable investments. There was a decrease in capital expenditure for the Media business mainly due to completion of the relocation and upgrading of its production studio facilities in 2018. Capital expenditure for the Solutions business increased to support the additional data center capacity in Hong Kong which is expected to be completed in the second half of 2019. There was an increase in capital expenditure at PCPD to support the Park Hyatt Niseko Hanazono and Branded Residences project.

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

HEDGING

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

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

As for financing, a significant portion of the Group's debt is denominated in foreign currencies including United States dollars. Accordingly, the Group has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at June 30, 2019, all forward and swap contracts were designated as cash flow hedges and/or fair value hedges for the related borrowings of the Group.

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

CHARGE ON ASSETS

As at June 30, 2019, certain assets of the Group with an aggregate carrying value of HK$9,506 million (December 31, 2018: HK$5,052 million) were pledged to secure certain bank loan facilities of the Group.

CONTINGENT LIABILITIES

HK$ million	As at Dec 31, 2018 (Audited)	**As at Jun 30, 2019 (Unaudited)**
Performance guarantees	566	**955**
Others	160	**166**
	726	**1,121**

The Group operates across several jurisdictions and is subject to certain queries from relevant tax authorities in respect of tax treatment of certain matters currently under way. As at June 30, 2019, the Group is unable to ascertain the likelihood of the outcome of these tax queries, other than those provided for. Based on the currently available information and assessment, the Directors are of the opinion that these cases will not have a significant financial impact to the Group.

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

HUMAN RESOURCES

The Group had over 23,400 employees as at June 30, 2019 (June 30, 2018: 23,700) located in 48 countries and cities. About 65% of these employees work in Hong Kong and the others are based mainly in mainland China, the United States and the Philippines. The Group has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve the Group’s business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units and performance ratings of employees.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 9.18 HK cents (June 30, 2018: 8.91 HK cents) per ordinary share for the six months ended June 30, 2019 to shareholders whose names appear on the register of members of the Company on Friday, August 30, 2019, payable on or around Wednesday, October 9, 2019.

CLOSURE OF REGISTER OF MEMBERS

The record date for the interim dividend will be Friday, August 30, 2019. The Company’s register of members will be closed from Thursday, August 29, 2019 to Friday, August 30, 2019 (both days inclusive) in order to determine entitlements to the interim dividend. During such period, no transfer of shares will be effected. In order to qualify for the interim dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, August 28, 2019. Dividend warrants will be despatched to shareholders on or around Wednesday, October 9, 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated interim financial information of the Group for the six months ended June 30, 2019. 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 June 30, 2019.

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 2019 interim report will be despatched to shareholders of the Company and available on the above websites in due course.

By order of the Board of
PCCW Limited
Bernadette M. Lomas
Group General Counsel and Company Secretary

Hong Kong, August 8, 2019

CONSOLIDATED INCOME STATEMENT
For the six months ended June 30, 2019

In HK$ million (except for earnings per share)	Note(s)	2018 (Unaudited)	**2019 (Unaudited)**
Revenue	2	18,974	**16,859**
Cost of sales		(10,152)	**(8,149)**
General and administrative expenses		(6,812)	**(6,739)**
Other gains, net	3	334	**426**
Interest income		71	**40**
Finance costs		(893)	**(925)**
Share of results of associates		(11)	**22**
Share of results of joint ventures		(15)	**(12)**
Profit before income tax	2, 4	1,496	**1,522**
Income tax	5	(437)	**(423)**
Profit for the period		1,059	**1,099**
Profit attributable to:			
Equity holders of the Company		185	**163**
Non-controlling interests		874	**936**
		1,059	**1,099**
Earnings per share	7		
Basic		2.40 cents	**2.11 cents**
Diluted		2.40 cents	**2.11 cents**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended June 30, 2019

In HK$ million	2018 (Unaudited)	**2019 (Unaudited)**
Profit for the period	1,059	**1,099**
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to consolidated income statement:		
Changes in the fair value of equity instruments at fair value through other comprehensive income	(57)	**13**
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
- exchange differences on translating foreign operations	(146)	**232**
Cash flow hedges:		
- effective portion of changes in fair value	75	**125**
- transfer from equity to consolidated income statement	(41)	**55**
Costs of hedging	5	**24**
Other comprehensive (loss)/income for the period	(164)	**449**
Total comprehensive income for the period	895	**1,548**
Attributable to:		
Equity holders of the Company	11	**494**
Non-controlling interests	884	**1,054**
Total comprehensive income for the period	895	**1,548**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at June 30, 2019

In HK$ million	Note*	The Group As at December 31, 2018 (Audited)	The Group **As at June 30, 2019 (Unaudited)**	(Additional Information) The Company As at December 31, 2018 (Audited)	(Additional Information) The Company **As at June 30, 2019 (Unaudited)**
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		23,900	**25,640**	–	**–**
Right-of-use assets		4,175	**3,856**	–	**–**
Investment properties		3,517	**3,635**	–	**–**
Interests in leasehold land		385	**376**	–	**–**
Properties held for/under development		3,164	**2,912**	–	**–**
Goodwill		18,192	**18,194**	–	**–**
Intangible assets		10,996	**11,328**	–	**–**
Fulfillment costs		1,369	**1,426**	–	**–**
Customer acquisition costs		807	**761**	–	**–**
Contract assets		302	**293**	–	**–**
Interests in subsidiaries		–	**–**	18,808	**18,969**
Interests in associates		778	**1,203**	–	**–**
Interests in joint ventures		530	**479**	–	**–**
Financial assets at fair value through other comprehensive income		1,102	**1,115**	–	**–**
Financial assets at fair value through profit or loss		731	**765**	–	**–**
Derivative financial instruments		152	**177**	4	**–**
Deferred income tax assets		1,194	**1,167**	–	**–**
Other non-current assets		1,243	**1,328**	–	**–**
Restricted cash		217	**–**	–	**–**
		72,754	**74,655**	18,812	**18,969**
Current assets					
Amounts due from subsidiaries		–	**–**	13,796	**16,695**
Sales proceeds held in stakeholders' accounts		507	**507**	–	**–**
Properties under development		770	**1,017**	–	**–**
Inventories		1,280	**1,488**	–	**–**
Prepayments, deposits and other current assets		3,748	**3,888**	16	**34**
Contract assets		2,690	**2,528**	–	**–**
Trade receivables, net	8	4,799	**4,620**	–	**–**
Amounts due from related companies		110	**134**	–	**–**
Derivative financial instruments		4	**37**	4	**12**
Tax recoverable		18	**18**	–	**–**
Restricted cash		186	**532**	–	**–**
Short-term deposits		604	**389**	–	**–**
Cash and cash equivalents		6,757	**3,073**	2,729	**164**
		21,473	**18,231**	16,545	**16,905**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
As at June 30, 2019

In HK$ million	Note*	The Group As at December 31, 2018 (Audited)	The Group **As at June 30, 2019 (Unaudited)**	(Additional Information) The Company As at December 31, 2018 (Audited)	(Additional Information) The Company **As at June 30, 2019 (Unaudited)**
Current liabilities					
Short-term borrowings		(608)	**(1,931)**	–	**–**
Trade payables	9	(1,952)	**(2,242)**	–	**–**
Accruals and other payables		(6,681)	**(5,999)**	(11)	**(16)**
Amount payable to the Government under the Cyberport Project Agreement		(322)	**(323)**	–	**–**
Carrier licence fee liabilities		(173)	**(152)**	–	**–**
Amounts due to related companies		(1)	**(5)**	–	**–**
Advances from customers		(355)	**(355)**	–	**–**
Contract liabilities		(1,856)	**(2,039)**	–	**–**
Lease liabilities		(1,608)	**(1,534)**	–	**–**
Current income tax liabilities		(1,036)	**(1,127)**	–	**–**
		(14,592)	**(15,707)**	(11)	**(16)**
Non-current liabilities					
Long-term borrowings	10	(49,307)	**(48,734)**	–	**(729)**
Amounts due to subsidiaries		–	**–**	(3,206)	**(3,286)**
Derivative financial instruments		(263)	**(82)**	(82)	**(22)**
Deferred income tax liabilities		(3,674)	**(3,766)**	–	**–**
Defined benefit retirement schemes liability		(135)	**(134)**	–	**–**
Carrier licence fee liabilities		(357)	**(322)**	–	**–**
Contract liabilities		(1,010)	**(1,012)**	–	**–**
Lease liabilities		(2,871)	**(2,600)**	–	**–**
Other long-term liabilities		(2,409)	**(2,623)**	–	**–**
		(60,026)	**(59,273)**	(3,288)	**(4,037)**
Net assets		19,609	**17,906**	32,058	**31,821**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at June 30, 2019

		The Group		(Additional Information) The Company	
In HK$ million	Note*	As at December 31, 2018 (Audited)	**As at June 30, 2019 (Unaudited)**	As at December 31, 2018 (Audited)	**As at June 30, 2019 (Unaudited)**
CAPITAL AND RESERVES					
Share capital	11	12,954	**12,954**	12,954	**12,954**
Reserves		4,141	**2,777**	19,104	**18,867**
Equity attributable to equity holders of the Company		17,095	**15,731**	32,058	**31,821**
Non-controlling interests		2,514	**2,175**	–	**–**
Total equity		19,609	**17,906**	32,058	**31,821**

* The notes referenced above pertain solely to the consolidated statement of financial position. The above Company statement of financial position as at June 30, 2019 and December 31, 2018 is presented only as additional information to this unaudited condensed consolidated interim financial information.

NOTES

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of PCCW Limited (the "Company") and its subsidiaries (collectively the "Group") has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue on August 8, 2019.

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

The financial information relating to the year ended December 31, 2018 that is included in this unaudited condensed consolidated interim financial information as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

- The Company has delivered the financial statements for the year ended December 31, 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

1. BASIS OF PREPARATION (CONTINUED)

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

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2018, with the exception of changes in estimates that are required in determining the useful lives of certain property, plant and equipment. As part of the Group's continuous accounting procedure, it is required to reassess the useful lives of the property, plant and equipment on a regular basis. Pursuant to such reassessment, the profit attributable to the equity holders of the Company for the six months ended June 30, 2019 increased by HK$61 million and the equity attributable to the equity holders of the Company as at June 30, 2019 increased by HK$61 million.

The accounting policies, basis of presentation and methods of computation used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of the following new or amended Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations ("Ints") (collectively "new or amended HKFRSs") which are effective for accounting periods beginning on or after January 1, 2019 as described below.

The following new or amended HKFRSs are mandatory for the first time for the financial year beginning January 1, 2019, but have no material effect on the Group's reported results and financial position for the current and prior accounting periods:

- HKAS 19 (2011) (Amendments), *Employee Benefits*
- HKAS 28 (2011) (Amendments), *Investments in Associates and Joint Ventures*
- HKFRS 9 (2014) (Amendments), *Financial Instruments*
- HK(IFRIC) - Int 23, *Uncertainty over Income Tax Treatments*
- Annual Improvements to HKFRSs 2015-2017 Cycle issued in February 2018 by HKICPA

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

2. SEGMENT INFORMATION

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

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

- HKT Limited ("HKT") is Hong Kong's premier telecommunications service provider. The principal activities of HKT and its subsidiaries are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting and contact centers. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.

- Media Business includes interactive pay-TV services and over-the-top ("OTT") digital media entertainment services in Hong Kong, the Asian Pacific region, and other parts of the world. The Group also operates a domestic free television service in Hong Kong.

- Solutions Business offers Information and Communications Technologies services and solutions in Hong Kong and other parts of Greater China and Asia.

- Pacific Century Premium Developments Limited ("PCPD") covers the Group's development and management of premium-grade property and infrastructure projects as well as premium-grade property investments.

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

In HK$ million	For the six months ended June 30, 2018 (Unaudited)							
	Reportable segments						Other#	Con-solidated
	HKT	Media Business	Solutions Business	PCPD	Elimina-tions	Total		
REVENUE								
Total Revenue	17,022	1,885	1,709	165	(1,807)	18,974	–	18,974
Revenue from contracts with customers:								
Timing of revenue recognition								
At a point in time	4,359	47	185	–	(151)	4,440	–	4,440
Over time	12,634	1,838	1,524	77	(1,652)	14,421	–	14,421
Revenue from other sources:								
Rental income	29	–	–	88	(4)	113	–	113
	17,022	1,885	1,709	165	(1,807)	18,974	–	18,974
RESULTS								
EBITDA	5,639	(77)	271	(80)	(87)	5,666	(193)	5,473

In HK$ million	**For the six months ended June 30, 2019 (Unaudited)**							
	Reportable segments						**Other#**	**Con-solidated**
	HKT	**Media Business**	**Solutions Business**	**PCPD**	**Elimina-tions**	**Total**		
REVENUE								
Total Revenue	**15,109**	**1,926**	**1,717**	**207**	**(2,100)**	**16,859**	**–**	**16,859**
Revenue from contracts with customers:								
Timing of revenue recognition								
At a point in time	**2,363**	**103**	**124**	**18**	**(383)**	**2,225**	**–**	**2,225**
Over time	**12,713**	**1,823**	**1,593**	**83**	**(1,713)**	**14,499**	**–**	**14,499**
Revenue from other sources:								
Rental income	**33**	**–**	**–**	**106**	**(4)**	**135**	**–**	**135**
	15,109	**1,926**	**1,717**	**207**	**(2,100)**	**16,859**	**–**	**16,859**
RESULTS								
EBITDA	**5,733**	**(174)**	**293**	**(20)**	**(312)**	**5,520**	**(233)**	**5,287**

Other primarily comprises corporate support functions.

2. SEGMENT INFORMATION (CONTINUED)

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

In HK$ million	Six months ended June 30, 2018 (Unaudited)	**Six months ended June 30, 2019 (Unaudited)**
Total segment EBITDA	5,473	**5,287**
Gain/(loss) on disposal of property, plant and equipment, net	1	**(2)**
Depreciation and amortization	(3,464)	**(3,314)**
Other gains, net	334	**426**
Interest income	71	**40**
Finance costs	(893)	**(925)**
Share of results of associates and joint ventures	(26)	**10**
Profit before income tax	1,496	**1,522**

3. OTHER GAINS, NET

In HK$ million	Six months ended June 30, 2018 (Unaudited)	**Six months ended June 30, 2019 (Unaudited)**
Fair value movement of derivative financial instruments	11	**(1)**
Fair value gains on financial assets at FVPL[1]	307	**8**
Dividend income from financial assets at FVOCI[2]	27	**31**
Provision for impairment of interests in joint ventures	(9)	**–**
Fair value gain on Network Capacity Access Rights *(Note a)*	–	**369**
Net gain on purchase of guaranteed notes	–	**19**
Others	(2)	**–**
	334	**426**

1. FVPL refers to fair value through profit or loss
2. FVOCI refers to fair value through other comprehensive income

3. OTHER GAINS, NET (CONTINUED)

a. In May 2017, the Group completed the transaction to sell the entire issued share capital of Transvision Investments Limited (the "Transaction"), part of the operation of the wireless broadband and related business component in the United Kingdom (the "UK component"), to an independent third party (the "Buyer") for GBP250 million cash (equivalent to approximately HK$2,509 million) and two restricted use network capacity access instruments issued by the Buyer with a total face value of GBP50 million (equivalent to approximately HK$502 million), representing the corresponding value of capacity access on the mobile network operated by the Buyer in the United Kingdom (the "Network Capacity Access Rights").

The remaining operation of the UK component ceased in 2018. Therefore, the results, including the disposal gain on the Transaction, of the UK component was presented as discontinued operation in the consolidated income statement for the years ended December 31, 2017 and 2018.

No value had been recognized by the Group for the Network Capacity Access Rights up to December 31, 2018 due to the uncertainty of potential market condition and the range of potential values being too wide for an amount to be measured reliably. During the six-month period ended June 30, 2019, clarity on the fair value of the Network Capacity Access Rights has substantially improved. Accordingly, a fair value gain of HK$369 million has been recognized as other gains, net in the consolidated income statement.

Subsequent to the end of the reporting period, an agreement was signed in relation to the sales of half of the Network Capacity Access Rights.

4. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

In HK$ million	Six months ended June 30, 2018 (Unaudited)	**Six months ended June 30, 2019 (Unaudited)**
Cost of inventories sold	4,042	**2,132**
Cost of sales, excluding inventories sold	6,110	**6,017**
Depreciation of property, plant and equipment	820	**649**
Depreciation of right-of-use assets	964	**955**
Amortization of intangible assets	947	**992**
Amortization of fulfillment costs	223	**222**
Amortization of customer acquisition costs	502	**487**
Amortization of land lease premium – interests in leasehold land	8	**9**
Impairment loss for trade receivables	140	**176**
Finance costs on borrowings	790	**852**

5. INCOME TAX

In HK$ million	Six months ended June 30, 2018 (Unaudited)	**June 30, 2019 (Unaudited)**
Current income tax:		
Hong Kong profits tax	292	**278**
Overseas tax	14	**26**
Movement of deferred income tax	131	**119**
	437	**423**

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the period. Overseas tax has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the respective jurisdictions.

6. DIVIDENDS

a. Dividends attributable to the interim period

In HK$ million	Six months ended June 30, 2018 (Unaudited)	**June 30, 2019 (Unaudited)**
Interim dividend declared after the end of the interim period of 9.18 HK cents (2018: 8.91 HK cents) per ordinary share	688	709

At a meeting held on August 8, 2019, the directors declared an interim dividend of 9.18 HK cents per ordinary share for the year ending December 31, 2019. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information.

b. Dividends approved and paid during the interim period

In HK$ million	Six months ended June 30, 2018 (Unaudited)	**June 30, 2019 (Unaudited)**
Final dividend declared in respect of the previous financial year, approved and paid during the interim period of 22.33 HK cents (2018: 21.18 HK cents) per ordinary share	1,635	**1,724**
Less: dividend for shares held by share award schemes	(2)	**(1)**
	1,633	**1,723**

7. EARNINGS PER SHARE

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

	Six months ended June 30, 2018 (Unaudited)	**Six months ended June 30, 2019 (Unaudited)**
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per share	185	**163**
Number of shares		
Weighted average number of ordinary shares	7,719,638,249	**7,719,638,249**
Effect of shares held under the Company's share award schemes	(10,088,884)	**(5,978,139)**
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,709,549,365	**7,713,660,110**
Effect of shares awarded under the Company's share award schemes	6,836,525	**7,370,797**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,716,385,890	**7,721,030,907**

8. TRADE RECEIVABLES, NET

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

In HK$ million	As at December 31, 2018 (Audited)	**As at June 30, 2019 (Unaudited)**
1 – 30 days	3,422	**3,235**
31 – 60 days	526	**392**
61 – 90 days	202	**274**
91 – 120 days	162	**231**
Over 120 days	699	**756**
	5,011	**4,888**
Less: loss allowance	(212)	**(268)**
Trade receivables, net	4,799	**4,620**

8. TRADE RECEIVABLES, NET (CONTINUED)

Included in trade receivables, net were amounts due from related parties of HK$66 million and HK$56 million as at June 30, 2019 and December 31, 2018 respectively.

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

9. TRADE PAYABLES

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

In HK$ million	As at December 31, 2018 (Audited)	**As at June 30, 2019 (Unaudited)**
1 – 30 days	1,287	**1,408**
31 – 60 days	140	**179**
61 – 90 days	59	**92**
91 – 120 days	28	**91**
Over 120 days	438	**472**
	1,952	**2,242**

Included in trade payables were amounts due to related parties of HK$35 million and HK$32 million as at June 30, 2019 and December 31, 2018 respectively.

10. LONG-TERM BORROWINGS

On March 8, 2019, the Group purchased US$70 million 4.75% guaranteed notes due 2022, which was issued by PCPD Capital Limited (an indirectly non-wholly owned subsidiary of the Company), for a consideration of US$67 million (approximately HK$528 million). The carrying amount of the guaranteed notes at the time of purchase was HK$547 million, resulting in a net gain on purchase of HK$19 million recognized in other gains, net in the consolidated income statement.

11. SHARE CAPITAL

	Six months ended			
	June 30, 2018		**June 30, 2019**	
	Number of shares (Unaudited)	Share capital (Unaudited) HK$ million	**Number of shares (Unaudited)**	**Share capital (Unaudited) HK$ million**
Ordinary shares of no par value, issued and fully paid:				
As at January 1, and June 30,	7,719,638,249	12,954	7,719,638,249	12,954

a. The Company had total distributable reserves of HK$18,865 million as at June 30, 2019 (December 31, 2018: HK$19,104 million).

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

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

Non-Executive Directors
Tse Sze Wing, Edmund, GBS; Li Fushen (Deputy Chairman); Shao Guanglu; Zhu Kebing and Wei Zhe, David

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

Forward-Looking Statements

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