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, 2013

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, 2013. This condensed consolidated interim financial information has not been audited, but has been reviewed by the Company's Audit Committee and, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by the Company's independent auditor, PricewaterhouseCoopers.

- Core revenue increased by 16% to HK$12,815 million; consolidated revenue (including PCPD) increased by 12% to HK$13,314 million
- Core EBITDA increased by 7% to HK$3,936 million; consolidated EBITDA (including PCPD) increased by 3% to HK$3,946 million
- Consolidated profit attributable to equity holders of the Company increased by 2% to HK$856 million; basic earnings per share amounted to 11.79 HK cents
- Interim dividend of 6.35 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 refers to consolidated EBITDA excluding PCPD.

MANAGEMENT REVIEW

We are pleased to announce a set of solid financial results by PCCW for the six months ended June 30, 2013, which was attributable to satisfactory performance of all core segments. Riding on the sustained growth momentum of HKT Limited and the HKT Trust (collectively "HKT"), our efforts to grow the Media and Solutions businesses are now starting to come to fruition, especially in light of the growth of the Solutions business.

Core revenue for the six months ended June 30, 2013 increased by 16% to HK$12,815 million, with core EBITDA increasing by 7% to HK$3,936 million.

Consolidated revenue for the six months ended June 30, 2013 increased by 12% to HK$13,314 million and consolidated EBITDA increased by 3% to HK$3,946 million, despite the lower revenue and EBITDA contributions from PCPD, which amounted to HK$499 million and HK$10 million respectively.

Consolidated profit attributable to equity holders of the Company increased by 2% to HK$856 million. Basic earnings per share was 11.79 HK cents, an increase of 2% from the corresponding period in the prior year.

The board of Directors (the "Board") has resolved to declare an interim dividend of 6.35 HK cents per ordinary share for the six months ended June 30, 2013.

OUTLOOK

As a source of stable cash flow for the Group, HKT has fortified its market position in the fiber broadband, mobile and international connectivity businesses. We are pleased that more customers are enjoying our fiber-to-the-home ("FTTH") service, as HKT's fiber infrastructure has expanded to buildings accounting for three quarters of Hong Kong households. HKT is actively growing its business to serve not just the basic telecommunications needs of customers – our strategy is to provide leading-edge network platforms, ultra-high fixed and mobile transmission speeds, an integrated user experience, plus new services that enrich modern lifestyles. This strategy should position us for further growth.

The Barclays Premier League ("BPL") is a catalyst to drive the Media business' growth initiatives. It has generated an encouraging response to subscribe and upgrade to now TV's higher-value packages even before the season kicks off this summer. We expect this momentum to accelerate in the second half of the year, and are confident of the continued monetization of this valuable property in the coming periods. Meanwhile, international expansion of the Media business, which saw satisfactory progress in the first half of the year, will act as another growth engine in the medium term.

Given its proven track record and the trend of IT outsourcing and cloud computing, the momentum in the Solutions business should continue into the second half of the year. Furthermore, the business has made prudent acquisitions to expand its core competencies and geographical reach, which is integral to its strategy to complement its organic growth to drive medium and long-term profitability.

Following the fruitful completion of the Bel-Air project, PCPD is now entering a new investment cycle with the commencement of a new development in Indonesia with a view to achieving long-term growth and profitability.

We would like to take the opportunity to thank all of our customers, employees and shareholders for their support during the period. Barring any unforeseen circumstances, we remain optimistic that the full year results will be able to reflect our dedicated efforts to grow the Company for the benefits of shareholders.

FINANCIAL REVIEW BY SEGMENTS

For the six months ended **HK$ million**	**Jun 30, 2012**	**Dec 31, 2012 (Restated)**[4]	**Jun 30, 2013**	Better/ (Worse) y-o-y
Revenue				
HKT	9,715	11,366	11,071	14%
Media Business	1,262	1,546	1,299	3%
Solutions Business	1,128	1,349	1,393	24%
Other Businesses	38	33	28	(26)%
Eliminations	(1,085)	(1,218)	(976)	10%
Core revenue	11,058	13,076	**12,815**	16%
PCPD	848	336	499	(41)%
Consolidated revenue	11,906	13,412	**13,314**	12%
Cost of sales	(5,281)	(6,535)	(6,343)	(20)%
Operating costs before depreciation, amortization, and (loss)/gain on disposal of property, plant and equipment and intangible assets, net	(2,789)	(2,927)	(3,025)	(8)%
EBITDA[1]				
HKT	3,736	3,933	3,839	3%
Media Business	217	274	223	3%
Solutions Business	168	267	217	29%
Other Businesses	(312)	(273)	(268)	14%
Eliminations	(139)	(192)	(75)	46%
Core EBITDA[1]	3,670	4,009	**3,936**	7%
PCPD	166	(59)	10	(94)%
Consolidated EBITDA[1]	3,836	3,950	**3,946**	3%
Core EBITDA[1] margin	*33%*	*31%*	*31%*	
Consolidated EBITDA[1] margin	*32%*	*29%*	*30%*	
Depreciation and amortization	(2,134)	(2,287)	(2,266)	(6)%
(Loss)/Gain on disposal of property, plant and equipment and intangible assets, net	(3)	(10)	5	NA
Other gains, net	12	359	196	>500%
Interest income	27	35	37	37%
Finance costs	(469)	(497)	(595)	(27)%
Share of results of associates and joint ventures	(43)	21	32	NA
Profit before income tax	1,226	1,571	**1,355**	11%

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

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

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

Note 4 *Please refer to Note 1 of the unaudited condensed consolidated interim financial information for details.*

HKT

For the six months ended HK$ million	Jun 30, 2012	Dec 31, 2012	Jun 30, 2013	Better/ (Worse) y-o-y
HKT Revenue	9,715	11,366	**11,071**	14%
HKT EBITDA[1]	3,736	3,933	**3,839**	3%
HKT EBITDA[1] margin	*38%*	*35%*	***35%***	
HKT Adjusted Funds Flow	1,430	1,242	**1,484**	4%

HKT delivered another set of solid financial results for the six months ended June 30, 2013. Revenue increased by 14% to HK$11,071 million while EBITDA increased by 3% to HK$3,839 million. More importantly, HKT's adjusted funds flow grew to HK$1,484 million, an increase of 4%. HKT announced a distribution per share stapled unit of 21 HK cents.

HKT's results were underpinned by the continued strong demand for its high speed FTTH service and growth in revenue from International Telecommunications services. Mobile continued to be a growth driver as it focuses on the higher-value, premium segment of the market. HKT's mobile network, which was upgraded during the period, is increasingly being recognized for its speed and performance. Together with its extensive Wi-Fi coverage of over 12,000 hotspots, HKT is offering customers unparalleled mobile experiences.

During the period, HKT continued to improve its service levels to capture higher revenue contribution per customer and broaden its scope of activities to meet the evolving needs of customers. As a result, it is well positioned to maintain and grow its leading position in the Hong Kong market.

For a more detailed review of the performance of HKT, please refer to its 2013 interim results announcement released on August 5, 2013.

Media Business

For the six months ended HK$ million	Jun 30, 2012	Dec 31, 2012	Jun 30, 2013	Better/ (Worse) y-o-y
Media Business Revenue	1,262	1,546	**1,299**	3%
Media Business EBITDA[1]	217	274	**223**	3%
Media Business EBITDA[1] margin	*17%*	*18%*	***17%***	

Revenue for the Media business for the six months ended June 30, 2013 grew by 3% year-on-year to HK$1,299 million. The growth in revenue was driven by the continued expansion of the total installed now TV subscriber base, which reached 1,204,000 by the end of June 2013, representing a net gain of 39,000 subscribers or an increase of 3% from a year ago. now TV average revenue per user ("ARPU") also rose to HK$174 compared with HK$172 a year earlier.

In addition to acquiring world-class programs, now TV has also continued to expand its production capabilities, turning out around 1,000 hours of programs annually. now TV has partnered with several leading content providers in mainland China to co-produce channels such as now Mango and now Hairun. now TV's program lineup is particularly attractive in sports, movies and programs for children, with many of these premium channels available in Hong Kong exclusively on now TV.

The rights to exclusively broadcast the BPL for three seasons commencing August 2013 have elicited very encouraging customer response to subscribe or upgrade to the higher-value Super Sports Pack since the beginning of the year. This momentum is expected to continue in the second half of the year as the new BPL season kicks off.

During the period, the Media business made significant progress in distributing now TV channels to overseas markets. Its footprint now includes Malaysia, Thailand, Singapore, Canada and the U.S.

now TV has also harnessed the technological capabilities within the Group to develop its new media business. With its TV Everywhere proposition, viewers can watch now TV content on multiple devices, including smartphones and tablets. This appeals to both viewers and advertisers, and creates an effective promotional platform for now TV.

The Media business rigorously managed content costs which remained flat during the period. Despite an increase in sales and marketing costs to support the rollout of the Super Sports Pack and continued investments in international program distribution, EBITDA for the period increased by 3% year-on-year to HK$223 million, with EBITDA margin steady at 17%.

Solutions Business

For the six months ended HK$ million	Jun 30, 2012	Dec 31, 2012	Jun 30, 2013	Better/ (Worse) y-o-y
Solutions Business Revenue	1,128	1,349	**1,393**	24%
Solutions Business EBITDA[1]	168	267	**217**	29%
Solutions Business EBITDA[1] margin	*15%*	*20%*	***16%***	

Revenue of the Solutions business for the six months ended June 30, 2013 increased by 24% year-on-year to HK$1,393 million. This significant growth in revenue was attributable to the successful execution of existing projects, expansion of our presence in the mainland China market and growing demand for our highly secure data centre services.

The Solutions business has completed a couple of acquisitions to complement its organic growth to drive further profitability. Although the acquisitions of Vandasoft Technology Holdings Limited ("Vanda China") and Compass Solutions Holdings Limited ("Compass Solutions") did not significantly contribute to the results in the first half of the year, both have provided the Solutions business with additional capabilities to service its existing clients and the opportunity to provide its wide range of existing capabilities to the customers of Vanda China and Compass Solutions.

EBITDA for the period increased by an impressive 29% year-on-year to HK$217 million. The EBITDA margin improved to 16% from 15% a year ago reflecting the benefits of the increasing scale of the Solutions business.

As at June 30, 2013, the value of the secured orders for the Solutions business amounted to approximately HK$5.2 billion, representing an increase of 4% from HK$5.0 billion a year ago. Among these orders, cloud-related services accounted for a larger proportion than before from about 3% a year earlier to about 10% for the first half of 2013.

PCPD

PCPD recorded total revenue of HK$499 million for the six months ended June 30, 2013, mainly from the recognition of the last two houses of Villa Bel-Air and rental income from Pacific Century Place in Beijing. EBITDA for the first half of the year was HK$10 million. These compared respectively with the HK$848 million revenue and HK$166 million EBITDA a year earlier.

Pacific Century Place had an average occupancy rate of approximately 61% for the six months ended June 30, 2013. Meanwhile, PCPD is considering plans to upgrade Pacific Century Place to enhance its long-term capital value.

The two existing overseas projects in Hokkaido, Japan and Phang-nga, Southern Thailand are also proceeding in accordance with their respective schedules. It would take some time before these projects would generate significant revenue.

PCPD is now entering a new investment cycle with a view to sustaining its long-term growth and profitability. In May 2013, PCPD entered into an agreement for the acquisition of a plot of land in the central business district of Jakarta, Indonesia, in which it plans to invest up to approximately US$400 million for the development of a 40-storey world-class Grade A office building. The development is expected to be completed in 2016.

For more information about the performance of PCPD, please refer to its 2013 interim results announcement released on August 5, 2013.

Other Businesses

Other Businesses primarily comprised the wireless broadband business in the United Kingdom and corporate support functions. Revenue from Other Businesses was HK$28 million for the six months ended June 30, 2013 (June 30, 2012: HK$38 million), while the cost of the Group’s Other Businesses decreased by 14% to HK$268 million (June 30, 2012: HK$312 million) as we continued our efforts to streamline back office support and processes to drive operating efficiency.

Eliminations

Eliminations for the six months ended June 30, 2013 declined to HK$976 million (June 30, 2012: HK$1,085 million). Eliminations mainly represented eliminations of intra-group sale and transfer of rights to use certain equipment and assets in the ordinary course of business on an arm’s length basis.

Costs

Cost of Sales

For the six months ended HK$ million	Jun 30, 2012	Dec 31, 2012	Jun 30, 2013	Better/ (Worse) y-o-y
The Group (excluding PCPD)	4,801	6,384	**6,073**	(26)%
PCPD	480	151	270	44%
Group Total	5,281	6,535	**6,343**	(20)%

The Group's consolidated total cost of sales for the six months ended June 30, 2013 increased by 20% year-on-year to HK$6,343 million. This comprised a 26% increase in the cost of sales for the core business which was in line with the increase in core revenue and a 44% improvement in the cost of sales for PCPD.

General and Administrative Expenses

During the period, the operating expenses before depreciation and amortization, and (loss)/gain on disposal of property, plant and equipment and intangible assets, net, increased by 8% to HK$3,025 million for the six months ended June 30, 2013, compared to HK$2,789 million a year ago. The increase was largely due to business expansion, at HKT's International business and the Media and Solutions businesses, and inflationary pressure on staff costs and rental expenses. Customer acquisition costs at HKT's Mobile business and capital expenditure increased in line with business growth, and thus depreciation and amortization expenses increased by 6% year-on-year to HK$2,266 million. As a result, general and administrative expenses increased by 7% year-on-year to HK$5,286 million for the six months ended June 30, 2013.

EBITDA[1]

Core EBITDA for the six months ended June 30, 2013 increased by 7% year-on-year to HK$3,936 million representing a margin of 31%. Combined with PCPD EBITDA of HK$10 million, consolidated EBITDA increased by 3% year-on-year to HK$3,946 million for the period representing a margin of 30%.

Interest Income and Finance Costs

Interest income for the six months ended June 30, 2013 increased to HK$37 million due to a higher average cash balance during the first half of 2013. Finance costs increased by 27% year-on-year to HK$595 million, due to the issue of US$500 million 10-year guaranteed notes in March 2013 at HKT, the full six-month impact of US$300 million 10-year guaranteed notes issued in April 2012 at PCCW and the drawdown of banking facilities by PCPD for its recently announced project. In addition, there was a one-off, non-cash expense at HKT associated with the refinancing of banking facilities during the period. As a result, net finance costs increased by 26% year-on-year to HK$558 million for the period.

Income Tax

Current income tax expense for the six months ended June 30, 2013 was HK$306 million, as compared to HK$312 million a year ago. During the period, a deferred income tax credit of HK$396 million was recorded mainly due to the utilization and recognition of previously unrecognized tax losses as certain loss-making companies had turned profitable. As a result, the Group recorded a net income tax credit of HK$90 million in the first half of 2013.

Non-controlling Interests

Non-controlling interests increased by 34% year-on-year to HK$589 million for the six months ended June 30, 2013, 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, 2013 increased 2% year-on-year to HK$856 million (June 30, 2012: HK$836 million).

LIQUIDITY AND CAPITAL RESOURCES

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

Taking advantage of the favorable market environment and historically low Treasury yields in the U.S., HKT raised US$500 million through the issue of 10-year guaranteed notes at a coupon rate of 3.75% in March 2013 to refinance the US$500 million 6% guaranteed notes due in July 2013. The Group's gross debt[2], therefore, increased to HK$31,383 million as at June 30, 2013 (December 31, 2012: HK$26,542 million), and the Group's gross debt[2] to total assets increased to 59% as at June 30, 2013 (December 31, 2012: 53%).

As at June 30, 2013, the Group had a total of HK$24,122 million in committed bank loan facilities available for liquidity management, of which HK$10,678 million remained undrawn. Of these committed bank loan facilities, HKT accounted for HK$17,676 million, of which HK$7,403 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2013, 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, 2013 was HK$1,195 million (June 30, 2012: HK$922 million), of which HKT accounted for about 85% for the period (June 30, 2012: 92%). Major outlays for the period were mainly in network expansion and enhancement to meet demand for high-speed broadband fiber services, mobile services and international networks, while the remainder was mainly used to expand the data center capacity of the Solutions business.

Going forward, the Group will continue to invest in its delivery platform and networks taking into account the prevailing market conditions, and using assessment criteria including internal rate of return, net present value and payback period.

HEDGING

Market risk arises from foreign currency and interest rate exposures related to cash 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 providing a natural hedge against each other. Therefore, the Group is not exposed to significant foreign currency fluctuation risk from operations.

As for financing, a majority portion of the Group's debt is denominated in 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, 2013, all cross currency interest rate swap contracts were designated as cash flow hedges and fair value hedges for the Group's foreign currency denominated short-term and long-term borrowings.

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

CHARGE ON ASSETS

As at June 30, 2013, certain assets of the Group with an aggregate carrying value of HK$6,164 million (December 31, 2012: HK$5,819 million) were pledged to secure loans and bank loan facilities of the Group.

CONTINGENT LIABILITIES

HK$ million	As at Dec 31, 2012 (Audited)	**As at Jun 30, 2013 (Unaudited)**
Performance guarantee	477	**518**
Others	91	**95**
	568	**613**

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

As at June 30, 2013, the Group had approximately 21,500 employees (June 30, 2012: 19,800). About 60% of these employees work in Hong Kong and the others are based mainly in mainland China and the Philippines. The Group has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve the Group's business performance targets. Payment of bonuses is generally based on achievement of EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 6.35 HK cents (June 30, 2012: 5.51 HK cents) per ordinary share for the six months ended June 30, 2013 to shareholders of the Company whose names appear on the register of members of the Company on Friday, September 13, 2013, payable on or around Friday, October 4, 2013.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Thursday, September 12, 2013 to Friday, September 13, 2013 (both days inclusive), during which period no transfer of shares will be effected. The record date for the interim dividend will be Friday, September 13, 2013. In order to qualify for the interim dividend of 6.35 HK cents per ordinary share, 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, Transfer Office, 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, September 11, 2013. Dividend warrants will be despatched to shareholders on or around Friday, October 4, 2013.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2013, 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, 2013. Such condensed consolidated interim financial information has not been audited but has been reviewed by the Company's independent auditor.

CORPORATE GOVERNANCE CODE

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

The Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended June 30, 2013.

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 2013 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
Philana WY Poon
Group Company Secretary

Hong Kong, August 6, 2013

CONSOLIDATED INCOME STATEMENT
For the six months ended June 30, 2013

In HK$ million (except for earnings per share)	Note(s)	2012 (Unaudited)	**2013 (Unaudited)**
Turnover	2	11,906	**13,314**
Cost of sales		(5,281)	**(6,343)**
General and administrative expenses		(4,926)	**(5,286)**
Other gains, net	3	12	**196**
Interest income		27	**37**
Finance costs		(469)	**(595)**
Share of results of associates		9	**7**
Share of results of joint ventures		(52)	**25**
Profit before income tax	2, 4	1,226	**1,355**
Income tax	5	51	**90**
Profit for the period		1,277	**1,445**
Attributable to:			
Equity holders of the Company		836	**856**
Non-controlling interests		441	**589**
Profit for the period		1,277	**1,445**
Interim dividend declared after the interim period	6(a)	401	**462**
Earnings per share	7		
Basic		11.51 cents	**11.79 cents**
Diluted		11.51 cents	**11.79 cents**

CONSOLIDATED AND COMPANY BALANCE SHEETS
As at June 30, 2013

In HK$ million	Note	The Group As at December 31, 2012 (Audited) (Restated) (Note 1)	The Group **As at June 30, 2013 (Unaudited)**	The Company As at December 31, 2012 (Audited)	The Company **As at June 30, 2013 (Unaudited)**
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		15,534	**15,457**	–	**–**
Investment properties		5,804	**6,134**	–	**–**
Interests in leasehold land		512	**500**	–	**–**
Properties held for/under development		1,146	**1,085**	–	**–**
Goodwill		3,371	**3,437**	–	**–**
Intangible assets		3,385	**3,506**	–	**–**
Investments in subsidiaries		–	**–**	12,089	**12,089**
Interests in associates		591	**597**	–	**–**
Interests in joint ventures		539	**735**	–	**–**
Held-to-maturity investments		1	**1**	–	**–**
Available-for-sale financial assets		685	**541**	–	**–**
Derivative financial instruments		253	**74**	–	**–**
Financial assets at fair value through profit or loss		–	**1**	–	**–**
Deferred income tax assets		703	**1,149**	–	**–**
Other non-current assets		546	**555**	–	**–**
		33,070	**33,772**	12,089	**12,089**
Current assets					
Properties for sale		214	**–**	–	**–**
Amounts due from subsidiaries		–	**–**	17,756	**17,254**
Sales proceeds held in stakeholders' accounts		678	**550**	–	**–**
Restricted cash		1,319	**1,029**	–	**–**
Prepayments, deposits and other current assets		4,775	**5,320**	32	**7**
Inventories		1,084	**1,073**	–	**–**
Amounts due from related companies		93	**108**	–	**–**
Derivative financial instruments		4	**–**	–	**–**
Trade receivables, net	8	4,041	**3,975**	–	**–**
Tax recoverable		13	**3**	–	**–**
Short-term deposits		–	**5**	–	**–**
Cash and cash equivalents		4,553	**7,750**	888	**1,916**
		16,774	**19,813**	18,676	**19,177**

CONSOLIDATED AND COMPANY BALANCE SHEETS (CONTINUED)
As at June 30, 2013

In HK$ million	Note	The Group As at December 31, 2012 (Audited) (Restated) (Note 1)	The Group **As at June 30, 2013 (Unaudited)**	The Company As at December 31, 2012 (Audited)	The Company **As at June 30, 2013 (Unaudited)**
Current liabilities					
Short-term borrowings		(8,540)	**(3,959)**	–	**–**
Derivative financial instruments		–	**(8)**	–	–
Trade payables	9	(2,380)	**(2,278)**	–	**–**
Accruals and other payables		(4,129)	**(3,743)**	(11)	**(6)**
Amount payable to the Government under the Cyberport Project Agreement		(959)	**(509)**	–	**–**
Carrier licence fee liabilities		(196)	**(251)**	–	**–**
Amounts due to related companies		(136)	**(247)**	–	**–**
Advances from customers		(1,903)	**(1,821)**	–	**–**
Current income tax liabilities		(1,169)	**(1,351)**	–	**–**
		(19,412)	**(14,167)**	(11)	**(6)**
Net current (liabilities)/assets		(2,638)	**5,646**	18,665	**19,171**
Total assets less current liabilities		30,432	**39,418**	30,754	**31,260**
Non-current liabilities					
Long-term borrowings	10	(17,926)	**(26,598)**	–	**(1,570)**
Amount due to a subsidiary		–	**–**	(2,282)	**(2,103)**
Derivative financial instruments		(56)	**(557)**	(56)	**(240)**
Deferred income tax liabilities		(2,321)	**(2,385)**	–	**–**
Deferred income		(989)	**(939)**	–	**–**
Defined benefit liability		(182)	**(182)**	–	**–**
Carrier licence fee liabilities		(719)	**(697)**	–	**–**
Other long-term liabilities		(101)	**(105)**	–	**–**
		(22,294)	**(31,463)**	(2,338)	**(3,913)**
Net assets		8,138	**7,955**	28,416	**27,347**
CAPITAL AND RESERVES					
Share capital		1,818	**1,818**	1,818	**1,818**
Reserves		6,982	**6,744**	26,598	**25,529**
Equity attributable to equity holders of the Company		8,800	**8,562**	28,416	**27,347**
Non-controlling interests		(662)	**(607)**	–	**–**
Total equity		8,138	**7,955**	28,416	**27,347**

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 (the "Stock Exchange") 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, 2012.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue on August 6, 2013.

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 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 and liabilities, income and expenses on a year-to-date basis. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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, 2012, with the exception of changes in estimates that are required in determining the useful lives of certain property, plant and equipment. During the six months ended June 30, 2013, the Group performed a review to reassess the useful lives of certain exchange equipment and transmission plant of the Group, based on the current expectations of the Group's operational management and technological trends. The reassessment has resulted in a change in the estimated useful lives of these assets. The Group considers this to be a change in accounting estimate and has therefore accounted for the changes prospectively from January 1, 2013. As a result of this change in accounting estimate, the Group's profit for the six months ended June 30, 2013 has increased by HK$43 million and the net assets as at June 30, 2013 have increased by HK$43 million.

The accounting policies 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, 2012, except for the adoption of the following new, revised or amended Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations ("Ints") (collectively "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2013 as described below.

1. BASIS OF PREPARATION (CONTINUED)

- HKAS 19 (2011), 'Employee Benefits'. HKAS 19 (2011) amends the accounting for employment benefits. The Group has adopted this standard retrospectively in accordance with the transition provisions of the standard and the effect of adoption is summarized as below:

  - The standard requires past service cost to be recognized immediately in the income statement. This did not result in any adjustment to the Group's results and financial position.

  - The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit liability and the discount rate, measured at the beginning of the year. There is no change to the computation of the discount rate; this continues to reflect the yield on long-term government bonds. The adoption of this change did not result in an adjustment to the consolidated income statement for the six months ended June 30, 2012 and HK$2 million was recognized as staff costs in the consolidated income statement for the year ended December 31, 2012.

  - The standard introduces a new term "remeasurements" and is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The "remeasurements" effects did not result in an adjustment to the comprehensive income for the six months ended June 30, 2012 and HK$44 million was recognized as other comprehensive loss for the year ended December 31, 2012.

  - "Defined benefit liability" as previously reported has been restated at the reporting dates to reflect the effect of the above. Amounts have been restated as at January 1, 2012 as HK$136 million (previously HK$3 million); June 30, 2012 as HK$136 million (previously HK$3 million); December 31, 2012 as HK$182 million (previously HK$3 million).

  - The change in accounting policy did not result in any adjustments to the condensed consolidated statement of cash flows and basic and diluted earnings per share for the six months ended June 30, 2012.

- Amendment to HKAS 1, 'Presentation of Financial Statements' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). Since the change in accounting standard only impacts on presentation aspects of the financial statements, there is no impact on earnings per share. The unaudited condensed consolidated interim financial information has been prepared under the revised disclosure requirements.

- Amendment to HKFRS 7, 'Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities', requires new disclosure requirements which focus on quantitative information about recognized financial instruments that are offset in the balance sheet, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The Group will make additional relevant disclosures in its annual consolidated financial statements for the year ending December 31, 2013.

1. BASIS OF PREPARATION (CONTINUED)

- HKFRS 12, 'Disclosures of Interests in Other Entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group will make additional relevant disclosures in its annual consolidated financial statements for the year ending December 31, 2013.

- HKFRS 13, 'Fair Value Measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned with other HKFRSs, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs. The Group will make additional relevant disclosures in its annual consolidated financial statements for the year ending December 31, 2013 and has included the disclosures required by HKAS 34, 'Interim Financial Reporting' in the unaudited condensed consolidated interim financial information.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2013, but have no material effect on the Group's results and financial position for the current and prior periods.

- HKAS 27 (2011), 'Separate Financial Statements'.
- HKAS 28 (2011), 'Investments in Associates and Joint Ventures'.
- HKFRS 1 (Revised) (Amendment), Accounting for Government Loans.
- HKFRS 10, 'Consolidated Financial Statements'.
- HKFRS 11, 'Joint Arrangements'.
- HK(IFRIC) – Int 20, 'Stripping Costs in the Production Phase of a Surface Mine'.
- Annual Improvements 2009-2011 Cycle published in June 2012 by HKICPA.

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

2. SEGMENT INFORMATION

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

The CODM considers the business from both product and geographic perspectives. From a product perspective, management assesses the performance of the following segments:

- HKT Limited ("HKT") is Hong Kong's premier telecommunications service provider. It provides a range of services including local telephony, local data and broadband, international telecommunications, mobile and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting and contact centers. It operates primarily in Hong Kong and maintains a presence in mainland China as well as other parts of the world.

- Media Business includes interactive pay-TV service, Internet portal multimedia entertainment platform and the Group's directories operations in Hong Kong and mainland China.

- Solutions Business offers Information and Communications Technologies services and solutions in Hong Kong and mainland China.

- Pacific Century Premium Developments Limited ("PCPD") covers the Group's property portfolio in Hong Kong and mainland China, including the Cyberport development in Hong Kong, and elsewhere in the Asia Pacific region.

- Other Businesses include the Group's wireless broadband business in the United Kingdom and all corporate support functions.

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

For the six months ended June 30, 2012
(In HK$ million)

	HKT (Unaudited)	Media Business (Unaudited)	Solutions Business (Unaudited)	Other Businesses (Unaudited)	PCPD (Unaudited)	Eliminations (Unaudited)	Consolidated (Unaudited)
REVENUE							
Total Revenue	9,715	1,262	1,128	38	848	(1,085)	11,906
RESULTS							
EBITDA	3,736	217	168	(312)	166	(139)	3,836

For the six months ended June 30, 2013
(In HK$ million)

	HKT (Unaudited)	**Media Business** (Unaudited)	**Solutions Business** (Unaudited)	**Other Businesses** (Unaudited)	**PCPD** (Unaudited)	**Eliminations** (Unaudited)	**Consolidated** (Unaudited)
REVENUE							
Total Revenue	**11,071**	**1,299**	**1,393**	**28**	**499**	**(976)**	**13,314**
RESULTS							
EBITDA	**3,839**	**223**	**217**	**(268)**	**10**	**(75)**	**3,946**

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

In HK$ million	Six months ended June 30, 2012 (Unaudited)	**Six months ended June 30, 2013 (Unaudited)**
Total segment EBITDA	3,836	**3,946**
(Loss)/Gain on disposal of property, plant and equipment, net	(3)	**5**
Depreciation and amortization	(2,134)	**(2,266)**
Other gains, net	12	**196**
Interest income	27	**37**
Finance costs	(469)	**(595)**
Share of results of associates and joint ventures	(43)	**32**
Profit before income tax	1,226	**1,355**

3. OTHER GAINS, NET

In HK$ million	Six months ended June 30, 2012 (Unaudited)	**Six months ended June 30, 2013 (Unaudited)**
Fair value gains on investment properties	–	**230**
Net gain on cash flow hedging instruments transferred from equity	6	**7**
Net gain on fair value hedging instruments	–	**17**
Recovery of impairment loss on an interest in a joint venture	–	**22**
Provision for impairment of investment	–	**(78)**
Others	6	**(2)**
	12	**196**

4. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after crediting and charging the following:

In HK$ million	Six months ended June 30, 2012 (Unaudited)	**Six months ended June 30, 2013 (Unaudited)**
Crediting:		
Revenue from properties sold	636	**283**
Charging:		
Cost of inventories sold	905	**949**
Cost of properties sold	436	**220**
Cost of sales, excluding inventories and properties sold	3,940	**5,174**
Depreciation of property, plant and equipment	1,228	**1,169**
Amortization of intangible assets	895	**1,085**
Amortization of land lease premium – interests in leasehold land	11	**12**
Finance costs on borrowings	432	**558**
Staff costs	1,277	**1,350**

5. INCOME TAX

In HK$ million	Six months ended June 30, 2012 (Unaudited)	**June 30, 2013 (Unaudited)**
Current income tax:		
Hong Kong profits tax	275	**294**
Overseas tax	37	**12**
Movement of deferred income tax	(363)	**(396)**
	(51)	**(90)**

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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 prevailing in the respective jurisdictions.

6. DIVIDENDS

a. Dividend attributable to the interim period

In HK$ million	Six months ended June 30, 2012 (Unaudited)	**June 30, 2013 (Unaudited)**
Interim dividend declared after the interim period of 6.35 HK cents (2012: 5.51 HK cents) per ordinary share	401	**462**

At a meeting held on August 6, 2013, the directors declared an interim dividend of 6.35 HK cents per ordinary share for the year ending December 31, 2013. 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, 2012 (Unaudited)	**June 30, 2013 (Unaudited)**
Final dividend in respect of the previous financial year, approved and paid during the interim period of 13.55 HK cents (2012: 10.60 HK cents) per ordinary share	771	**985**

6. DIVIDENDS (CONTINUED)

c. Special dividend by way of distributions in specie

During the year ended December 31, 2011, the Company declared a conditional special dividend to be satisfied by way of two distributions in specie of share stapled units of the HKT Trust and HKT Limited (the “Share Stapled Units”) representing an aggregate of approximately 5% of the Share Stapled Units in issue immediately following the completion of the global offering of the Share Stapled Units (“Distributions in Specie”). The Distributions in Specie became unconditional upon the listing of the Share Stapled Units on the Main Board of the Stock Exchange on November 29, 2011. Accordingly, the estimated dividend payable of approximately HK$1,443 million was recorded, which was measured at the fair value of approximately 5% of the Share Stapled Units to be distributed on the date when the Distributions in Specie became unconditional.

During the six months ended June 30, 2012, the Company settled the Distributions in Specie on the basis of 1 Share Stapled Unit for every integral multiple of 46 ordinary shares of the Company in March 2012 and May 2012, respectively. A total of 316,160,960 Share Stapled Units with an aggregate market value as at the respective dates of the Distributions in Specie of HK$1,839 million were distributed to the eligible shareholders of the Company accordingly.

7. EARNINGS PER SHARE

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

	Six months ended	
	June 30, 2012 (Unaudited)	**June 30, 2013 (Unaudited)**
Earnings (in HK$ million)		
Earnings for the purposes of basic and diluted earnings per share	836	**856**
Number of shares		
Weighted average number of ordinary shares	7,272,294,654	**7,272,294,654**
Effect of shares purchased from the market under the Company’s share award schemes	(6,616,103)	**(15,464,612)**
Effect of shares vested under the Company’s share award schemes	–	**854,016**
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,265,678,551	**7,257,684,058**
Effect of shares awarded under the Company’s share award schemes	–	**5,328,782**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,265,678,551	**7,263,012,840**

8. TRADE RECEIVABLES, NET

The aging of trade receivables is set out below:

In HK$ million	As at December 31, 2012 (Audited)	**As at June 30, 2013 (Unaudited)**
0 – 30 days	2,028	**1,823**
31 – 60 days	600	**545**
61 – 90 days	332	**326**
91 – 120 days	162	**236**
Over 120 days	1,160	**1,290**
	4,282	**4,220**
Less: Impairment loss for doubtful debts	(241)	**(245)**
	4,041	**3,975**

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

9. TRADE PAYABLES

The aging of trade payables is set out below:

In HK$ million	As at December 31, 2012 (Audited)	**As at June 30, 2013 (Unaudited)**
0 – 30 days	837	**824**
31 – 60 days	311	**243**
61 – 90 days	85	**139**
91 – 120 days	137	**141**
Over 120 days	1,010	**931**
	2,380	**2,278**

10. LONG-TERM BORROWINGS

On April 17, 2012, PCCW Capital No. 4 Limited, a direct wholly-owned subsidiary of the Company, issued US$300 million 5.75% guaranteed notes due 2022, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of the Company. The carrying amount of the notes was HK$2,282 million as at December 31, 2012 and HK$2,103 million as at June 30, 2013.

On March 8, 2013, PCCW-HKT Capital No.5 Limited, an indirect non-wholly owned subsidiary of the Company, issued US$500 million 3.75% guaranteed notes due 2023, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by two indirect non-wholly owned subsidiaries of the Company, HKT Group Holdings Limited (“HKTGH”) and Hong Kong Telecommunications (HKT) Limited (“HKTL”). The notes rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL. The carrying amount of the notes was HK$3,466 million as at June 30, 2013.

11. POST BALANCE SHEET EVENT

As disclosed in the joint announcement of PCPD with the Company dated May 23, 2013 and the circular of PCPD dated June 25, 2013 in relation to the proposed acquisition of a plot of land for the development of a Grade A office building in Jakarta, Indonesia, the total consideration under the land sale and purchase agreement is US$184 million (equivalent to approximately HK$1,428 million) (subject to various downward adjustments in certain circumstances). A deposit of US$46 million (equivalent to approximately HK$357 million) was placed with an escrow agent and recognized under “Prepayments, deposits and other current assets” in the consolidated balance sheet as at June 30, 2013. The transaction was completed on July 24, 2013.

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

Executive Directors
Li Tzar Kai, Richard (Chairman); Chan Ching Cheong, George (Group Managing Director);
Hui Hon Hing, Susanna (Group Chief Financial Officer) and Lee Chi Hong, Robert

Non-Executive Directors
Sir David Ford, KBE, LVO; Tse Sze Wing, Edmund, GBS; Lu Yimin (Deputy Chairman); Li Fushen;
Li Gang and Wei Zhe, David

Independent Non-Executive Directors
Dr The Hon Sir David Li Kwok Po, GBM, GBS, OBE, JP; Aman Mehta; Frances Waikwun Wong;
Bryce Wayne Lee and Lars Eric Nils Rodert

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.