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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2011

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, 2011. 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.

- Consolidated profit attributable to equity holders of the Company increased by 8% to HK$824 million; basic earnings per share amounted to 11.33 HK cents
- Core revenue grew by 2% to HK$10,936 million; core EBITDA improved by 5% to HK$3,535 million
- Consolidated revenue including PCPD rose by 3% to HK$12,186 million; consolidated EBITDA including PCPD increased by 1% to HK$3,775 million
- Declare interim dividend of 5.3 HK cents per 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; earnings for the core business refers to consolidated profit attributable to equity holders of the Company excluding the Group's share of PCPD's profit after tax and effects of eliminations.

MANAGEMENT REVIEW

PCCW's financial results in the first half of 2011 reflected strong operating fundamentals across all the core business segments and demonstrated the continued success of our unique quadruple-play strategy. Core EBITDA maintained its growth momentum and reported another 5% growth year-on-year to HK$3,535 million, on the back of solid core revenue growth of 2% year-on-year to HK$10,936 million for the six months ended June 30, 2011.

EBITDA contribution from PCPD was lower at HK$240 million, compared with HK$353 million a year ago, in view of the fewer units recognized during the period, despite the higher selling prices of Villa Bel-Air houses recognized which lifted PCPD revenue for the six months under review by 17% to HK$1,250 million.

Consolidated revenue for the six months ended June 30, 2011 increased by 3% year-on-year to HK$12,186 million, while consolidated EBITDA edged up by 1% to HK$3,775 million. Albeit lower EBITDA contribution from PCPD, we are pleased to report an increase of 8% in consolidated profit attributable to equity holders of the Company to HK$824 million for the six months under review, benefiting from the significant 17% surge in earnings for the core business which reflected not only improved operational fundamentals but also lower finance costs during the period. Basic earnings per share increased to 11.33 HK cents.

The board of Directors (the "Board") has resolved to declare an interim dividend of 5.3 HK cents per share for the six months ended June 30, 2011.

OUTLOOK

The sustained growth of our broadband business, despite intense market competition, has demonstrated that our unique fixed and wireless broadband proposition is a winning differentiator. As more data-hungry smartphones and tablets become available in the market to consumers, we also look forward to further growth of our mobile business.

now TV is continuously enriching its programming either by local production or through acquisition of attractive international content. More new attractions will be rolled out in the coming months to bolster customer in-take, stickiness and average revenue per user ("ARPU").

Because of PCCW's reputation as a trustworthy telecom partner, our commercial telecom business is also set to gain further from the sustained improvement of the business environment.

Meanwhile, our global connectivity business is benefiting from PCCW Global's enhanced network coverage and service quality, as well as the increasing demand for international bandwidth.

PCCW enjoys a steady and strong cash flow due to its well-established and successful operations. We will continue to enhance our network capability and to introduce products and services that meet the needs of our customers. We are confident that our businesses can continue on a growth path in the foreseeable future.

FINANCIAL REVIEW BY SEGMENTS

For the six months ended HK$ million	Jun 30, 2010	Dec 31, 2010	Jun 30, 2011	Better/ (Worse) y-o-y
Revenue				
TSS	8,321	8,396	8,581	3%
Mobile	838	871	919	10%
TV & Content	1,179	1,204	1,189	1%
PCCW Solutions	1,087	1,021	1,104	2%
Other Businesses	26	40	46	77%
Eliminations	(719)	(797)	(903)	(26)%
Core revenue	10,732	10,735	**10,936**	2%
PCPD	1,070	425	1,250	17%
Consolidated revenue	11,802	11,160	**12,186**	3%
Cost of sales	(5,484)	(5,049)	(5,499)	0%
Operating costs before depreciation, amortization, loss on disposal of property, plant and equipment, and restructuring costs	(2,596)	(2,480)	(2,912)	(12)%
EBITDA[1]				
TSS	3,398	3,655	3,410	0%
Mobile	152	203	218	43%
TV & Content	43	189	231	437%
PCCW Solutions	100	141	106	6%
Other Businesses	(324)	(488)	(430)	(33)%
Core EBITDA[1]	3,369	3,700	**3,535**	5%
PCPD	353	(69)	240	(32)%
Consolidated EBITDA[1]	3,722	3,631	**3,775**	1%
Core EBITDA margin[1,2]	*31%*	*34%*	*32%*	*1%*
Consolidated EBITDA margin[1,2]	*32%*	*33%*	*31%*	*(1)%*
Depreciation and amortization	(1,883)	(1,917)	(1,962)	(4)%
(Loss)/Gain on disposal of property, plant and equipment	(2)	(43)	1	NA
Net other gains and restructuring costs	33	1,181	99	200%
Interest income	9	18	33	267%
Finance costs	(806)	(781)	(763)	5%
Share of results of associates and jointly controlled companies	(13)	(69)	(8)	38%
Profit before income tax	1,060	2,020	**1,175**	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, gains/losses on disposal of property, plant and equipment, investment properties and interests in leasehold land, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on interests in associates and jointly controlled companies and the Group's share of results of associates and jointly controlled companies. 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 *Year-on-year percentage change was based on absolute percentage change.*

Note 3 *Figures are stated as at the period end, except for International Direct Dial ("IDD") minutes which is the total for the period.*

Note 4 *Gross debt refers to the principal amount of short-term borrowings and long-term borrowings. Net debt refers to the principal amount of short-term borrowings and long-term borrowings minus cash and cash equivalents and certain restricted cash.*

Note 5 *Group capital expenditure includes additions to property, plant and equipment, investment properties and interests in leasehold land.*

OPERATING DRIVERS[3]	**Jun 30, 2010**	**Dec 31, 2010**	**Jun 30, 2011**	Better/ (Worse) y-o-y	h-o-h
Exchange lines in service ('000)	2,587	2,590	2,625	1%	1%
Business lines ('000)	1,180	1,183	1,217	3%	3%
Residential lines ('000)	1,407	1,407	1,408	0%	0%
Total broadband access lines ('000) (Consumer, business and wholesale customers)	1,298	1,367	1,437	11%	5%
Retail consumer broadband subscribers ('000)	1,148	1,215	1,285	12%	6%
Retail business broadband subscribers ('000)	114	115	116	2%	1%
Traditional data (Exit Gbps)	953	1,045	1,243	30%	19%
Retail IDD minutes ('M mins)	674	652	618	(8)%	(5)%
International Private Leased Circuit ("IPLC") bandwidth (Exit Mbps)	88,108	109,864	148,834	69%	35%
now TV installed base ('000)	1,028	1,039	1,088	6%	5%
Mobile subscribers ('000)	1,469	1,484	1,506	3%	1%
3G post-paid ('000)	606	667	880	45%	32%
2G post-paid ('000)	319	250	43	(87)%	(83)%
2G prepaid ('000)	544	567	583	7%	3%

Telecommunications Services ("TSS")

The table below sets out the financial performance of TSS for the six months ended June 30, 2011 and other relevant periods:

For the six months ended HK$ million	**Jun 30, 2010**	**Dec 31, 2010**	**Jun 30, 2011**	Better/ (Worse) y-o-y
Local Telephony Services	1,921	1,679	1,653	(14)%
Local Data Services	2,627	2,643	2,660	1%
International Telecommunications Services	1,851	1,863	2,188	18%
Other Services	1,922	2,211	2,080	8%
TSS revenue	8,321	8,396	**8,581**	3%
Cost of sales	(3,349)	(3,571)	(3,495)	(4)%
Operating costs before depreciation and amortization	(1,574)	(1,170)	(1,676)	(6)%
TSS EBITDA[1]	3,398	3,655	**3,410**	0%
TSS EBITDA margin[1,2]	*41%*	*44%*	***40%***	*(1)%*

The structural transformation of service focus from voice to data over IP network continued in the TSS segment, driving a 3% year-on-year increase in revenue to HK$8,581 million for the six months ended June 30, 2011 and a sustained EBITDA contribution of HK$3,410 million, compared to HK$3,398 million a year ago.

Local Telephony Services. Total fixed lines in service at the end of June 2011 increased to 2,625,000, primarily due to the increase of business lines amid improved market conditions. ARPU remained under pressure in the face of competition and fixed-mobile substitution, the effect of which has been particularly acute in the residential market. As a result, local telephony services revenue for the six months ended June 30, 2011 declined to HK$1,653 million from HK$1,921 million a year earlier. However, our strategy of upgrading customers from the fixed-line service to PCCW's innovative eye multimedia service has gathered notable momentum, achieving higher penetration of the residential customer base. The higher ARPU attained by eye proved to be able to hold the decline of traditional fixed-line ARPU, as evidenced by the stabilization of overall fixed-line ARPU.

Local Data Services. Local data services revenue, comprising broadband network revenue and local data revenue, increased by 1% year-on-year to HK$2,660 million for the six months ended June 30, 2011. At the end of June 2011, the total number of broadband access lines was 11% higher year-on-year at 1,437,000. These increases were attributable to the successful promotion of our fiber broadband service, especially in the mass market since June 2011. Initial response has been very encouraging and the benefits are yet to be fully reflected in the financial performance. PCCW will continue with its unique fixed and wireless broadband service proposition as a differentiator in the broadband market. Meanwhile, local data revenue also recorded healthy growth due to increased business demand for local data services.

International Telecommunications Services. International telecommunications services revenue for the six months ended June 30, 2011 increased significantly by 18% year-on-year to HK$2,188 million. The robust performance was driven by the increase of wholesale voice and international connectivity services revenue due to the continued high international bandwidth demand. This line of business also benefited from the integration of certain assets and businesses from Reach Ltd. ("Reach"), which resulted in efficiency gains during the period and enhanced our competitive position for international connectivity services.

Other Services. Other services revenue primarily included revenue from the sales of network equipment and customer premises equipment ("CPE") to consumers and enterprises, teleservices business, and provision of technical and maintenance services. Other services revenue for the six months ended June 30, 2011 increased by 8% year-on-year to HK$2,080 million, primarily driven by stronger CPE sales and other larger-scale telecommunications projects that had arisen from the sustained recovery of the local economy.

Mobile

For the six months ended HK$ million	**Jun 30, 2010**	**Dec 31, 2010**	**Jun 30, 2011**	Better/ (Worse) y-o-y
Mobile revenue	838	871	**919**	10%
Mobile EBITDA[1]	152	203	**218**	43%

Mobile business continued to exhibit strong revenue momentum in the first half of 2011, with total mobile revenue growing by 10% year-on-year to HK$919 million. Boosted by a significant surge in 3G data usage over an enlarged 3G subscriber base with a higher ARPU, mobile services revenue increased by 11% year-on-year. Out of mobile services revenue, 54% was mobile data revenue, which grew strongly by 64% in the first half of 2011 as smartphones and tablets drove up data demand.

More importantly, PCCW enjoys unparalleled competitive cost advantages arising from its unique fixed and mobile integrated network, which is supported by an extensive fiber backhaul and more than 9,000 Wi-Fi hotspots. This translated into much room for uplift of EBITDA margin, as evidenced by the lower incremental operating costs, especially after the integration of the 2G and 3G networks. This in turn led to a spectacular 43% year-on-year increase in EBITDA to HK$218 million and a significant increase in EBITDA margin from 18% a year ago to 24%.

PCCW mobile's total subscribers reached 1,506,000 at the end of June 2011, an increase of 3% over the previous year. 3G subscribers expanded 45% to 880,000. 3G subscribers as a percentage of the total post-paid subscriber base sharply increased to 95% at the end of June 2011, compared to 66% a year earlier, as we almost completed the upgrade of 2G post-paid subscribers to the 3G network.

The strong data growth and a larger 3G subscriber base continued to contribute to raise our blended ARPU, which increased to HK$160 as at June 30, 2011 from HK$143 as at December 31, 2010.

TV & Content

For the six months ended HK$ million	Jun 30, 2010	Dec 31, 2010	Jun 30, 2011	Better/ (Worse) y-o-y
TV & Content revenue	1,179	1,204	**1,189**	1%
TV & Content EBITDA[1]	43	189	**231**	437%

The financial performance of our TV & Content business for the first half of 2011 provided tangible evidence of the successful execution of now TV's content acquisition strategy to expand subscriber base and grow ARPU. As anticipated, the cost savings from the non-renewal of the Barclays Premier League rights for a full six-month period were reflected in the first half. This lifted EBITDA for the six months ended June 30, 2011 to HK$231 million, which was four times more than the HK$43 million a year ago.

now TV continued its market leadership with more than 190 high-definition and standard-definition channels in various genres, complemented by on-demand and interactive services. During the period, more exclusive and a greater variety of sports programming was launched, reinforcing the ARPU of the sports package. At the same time, now TV strengthened its self-produced local programming riding on its unique interactive capability, such as the now 101 channel and its flagship ATM show launched in February this year.

now TV's installed subscriber base continued to climb by 6% year-on-year to 1,088,000 at the end of June 2011, and the installed base ARPU also rose to HK$167 at the end of June 2011 from HK$165 at the end of December 2010. A larger customer base with higher ARPU, satisfactory advertising revenue, and our multi-screen quadruple-play strategy, resulted in the TV & Content revenue being HK$1,189 million for the six months ended June 30, 2011.

PCCW Solutions

For the six months ended HK$ million	Jun 30, 2010	Dec 31, 2010	Jun 30, 2011	Better/ (Worse) y-o-y
PCCW Solutions revenue	1,087	1,021	**1,104**	2%
PCCW Solutions EBITDA[1]	100	141	**106**	6%

Building on its leadership position in the IT services industry in Hong Kong and mainland China, PCCW Solutions continued to report solid growth in revenue and EBITDA in the first half of 2011. Revenue for the six months ended June 30, 2011 increased by 2% year-on-year to HK$1,104 million, while EBITDA increased by 6% to HK$106 million.

In Hong Kong, continued strong demand for data center hosting services and increasing demand for cloud computing services provided strong momentum for business growth of PCCW Solutions during the period. As a borderless full spectrum cloud service provider, PCCW Solutions launched a "virtual instances service", which is a server cloud service providing customers with computing resources on-demand to cater for different workloads.

PCCW Solutions is also well positioned to capture significant growth opportunities in mainland China. During the period, PCCW Solutions continued to strengthen its cooperation with major mainland China telecommunications companies. In May 2011, it was awarded a contract to provide a Control Tower Simulator solution for China's Middle South Regional Air Traffic Management Bureau.

PCPD

PCPD recorded total revenue of HK$1,250 million and EBITDA of HK$240 million for the six months ended June 30, 2011, compared with HK$1,070 million and HK$353 million, respectively, a year earlier.

In Hong Kong, seven houses at Villa Bel-Air were sold during the first half of 2011, and the sale of the remaining four houses will continue. Pacific Century Place, PCPD's investment property in Beijing, mainland China, enjoyed an average occupancy rate of 92% for the six months ended June 30, 2011.

As for overseas projects, detailed design work for Phase 1 of the Hanazono all-season resort project in Hokkaido, Japan, is making good progress. Preliminary design work for the project in Phang-nga, southern Thailand, is also under way.

For more information about the performance of PCPD, please refer to its 2011 interim results released on August 12, 2011.

Other Businesses

Other Businesses primarily comprised certain overseas operations and corporate support functions. Revenue from Other Businesses was HK$46 million for the six months ended June 30, 2011. During the period, the cost to the Group of Other Businesses amounted to HK$430 million.

Eliminations

Eliminations was HK$903 million for the six months ended June 30, 2011. Eliminations is related to internal charges for telecommunications services consumed, IT support and computer system network charges, customer support services and rental among the Group's business units.

Costs

Cost of Sales

For the six months ended HK$ million	Jun 30, 2010	Dec 31, 2010	Jun 30, 2011	Better/ (Worse) y-o-y
The Group (excluding PCPD)	4,932	4,837	**4,743**	4%
PCPD	552	212	756	(37)%
Group Total	5,484	5,049	**5,499**	0%

The Group's consolidated total cost of sales for the six months ended June 30, 2011 increased marginally to HK$5,499 million due to the high cost of sales on the property side. Gross margin, nonetheless, improved to 55% in the first half of 2011, compared with 54% a year ago.

On the core business, cost of sales was 4% lower, due to savings from the non-renewal of the Barclays Premier League rights and cost efficiency gains from the Reach's integration, exhibiting a better margin of 57% in the first half, compared with 54% a year ago.

General and Administrative Expenses

During the first half of 2011, the Group continued to implement cost management measures appropriate for the dynamic and challenging operating environment, while at the same time investing for business growth. Accordingly, general and administrative expenses increased 9% year-on-year to HK$4,873 million for the six months ended June 30, 2011. The increase in expenses was primarily due to higher staff costs of new hires for business growth, larger publicity and promotion spending on growth businesses as we rolled out our high-speed fiber service to the mass market, as well as increased rental expenses for retail shops and roadshow venues for the promotion of mobile, fiber and other services. During the period, customer acquisition costs also stepped up in line with business growth. As a result, depreciation and amortization expenses increased by 4% year-on-year to HK$1,962 million for the six months ended June 30, 2011.

EBITDA[1]

Solid performance in all core segments contributed to an overall core EBITDA growth of 5% year-on-year to HK$3,535 million for the six months ended June 30, 2011. Core EBITDA margin also improved to 32% in the first half of 2011, compared with 31% a year ago.

Consolidated EBITDA including PCPD increased by 1% year-on-year to HK$3,775 million for the six months ended June 30, 2011. With a lower EBITDA margin contributed by PCPD, consolidated EBITDA margin, therefore, decreased marginally to 31% in the first half of 2011.

Interest Income and Finance Costs

Interest income increased by 267% year-on-year to HK$33 million for the six months ended June 30, 2011 due to a higher average cash balance and a higher average deposit income rate in the first half of 2011. Coupled with a 5% saving in finance costs, net finance cost dropped by 8% year-on-year to HK$730 million for the six months ended June 30, 2011.

Income Tax

Income tax expenses for the six months ended June 30, 2011 increased to HK$292 million, as compared to HK$207 million, with an effective tax rate at 25% (June 30, 2010: 20%). The increase in tax expenses was mainly due to higher operating profit and increases in certain overseas tax provisions.

Non-controlling Interests

Non-controlling interests of HK$59 million primarily represented the net profit attributable to the minority shareholders of 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, 2011 increased by 8% year-on-year to HK$824 million (June 30, 2010: HK$765 million).

LIQUIDITY AND CAPITAL RESOURCES

The Group actively and regularly reviews and manages its capital structure to maintain an optimal debt/equity level, taking into account the prevailing macro-economic conditions, the cost of capital, and the interests of all stakeholders.

The Group's gross debt[4] was HK$35,330 million as at June 30, 2011 (June 30, 2010: HK$32,863 million). Cash and cash equivalents totaled HK$8,144 million as at June 30, 2011 (June 30, 2010: HK$3,952 million). The Group's net debt[4] was HK$27,154 million as at June 30, 2011 (June 30, 2010: HK$28,712 million).

As at June 30, 2011, the Group had ample liquidity as evidenced by committed bank loan facilities totaling HK$29,810 million, of which HK$13,979 million remained undrawn.

The Group's total debt[4] to total assets was 73% as at June 30, 2011 (June 30, 2010: 79%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2011, Hong Kong Telecommunications (HKT) Limited, an indirect 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[5]

Group capital expenditure for the six months ended June 30, 2011 was HK$905 million (June 30, 2010: HK$712 million). In addition, PCCW received fixed assets of HK$629 million from the integration of Reach. Major outlays for the period were mainly expanded investments and network enhancement in meeting demand on high-speed broadband services, quadruple-play and international networks.

Going forward, PCCW will continue to invest in its unique quadruple-play 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 Finance and Management Committee, a sub-committee of the Executive Committee of the Board, 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 policies and guidelines, approved by the Finance and Management Committee and the Executive Committee, which are reviewed on a regular basis.

In the normal course of business, the Group enters into forward contracts and other derivative contracts in order to limit its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions, and all contracts are denominated in currencies of major industrial countries. As at June 30, 2011, all cross currency swap contracts were designated as cash flow hedges and fair value hedges for the Group’s foreign currency denominated long-term borrowings.

CHARGE ON ASSETS

As at June 30, 2011, certain assets of the Group with an aggregate carrying value of HK$5,296 million (December 31, 2010: HK$5,193 million) were pledged to secure loans and banking facilities of the Group.

CONTINGENT LIABILITIES

HK$ million	As at Dec 31, 2010 (Audited)	**As at Jun 30, 2011 (Unaudited)**
Performance guarantees	377	**389**
Others	44	**32**
	421	**421**

The Group is subject to certain corporate guarantee obligations to guarantee performance of its wholly-owned 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, 2011, the Group had approximately 19,800 employees (December 31, 2010: 19,300). About 60% of these employees work in Hong Kong and the others are based mainly in the PRC, the United States and the Philippines. The Company has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve the Company’s business performance targets. Payment of bonuses is generally based on achievement of EBITDA[1] 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 5.3 HK cents per share (June 30, 2010: 5.1 HK cents per share) for the six months ended June 30, 2011 to shareholders of the Company whose names appear on the register of members of the Company on Wednesday, September 21, 2011, payable on or around Friday, October 7, 2011.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Friday, September 16, 2011 to Wednesday, September 21, 2011 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend of 5.3 HK cents per share, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, 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 Thursday, September 15, 2011. Dividend warrants will be despatched to shareholders on or around Friday, October 7, 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2011, 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, 2011. Such condensed consolidated interim financial information has not been audited but has been reviewed by the Company's independent auditor.

CORPORATE GOVERNANCE PRACTICES

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 affairs are conducted in accordance with applicable laws and regulations.

The Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended June 30, 2011.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.pccw.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2011 interim report will be despatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
PCCW Limited
Philana WY Poon
Group General Counsel and Company Secretary

Hong Kong, August 12, 2011

CONSOLIDATED INCOME STATEMENT
For the six months ended June 30, 2011

In HK$ million (except for earnings per share)	Note(s)	2010 (Unaudited)	**2011 (Unaudited)**
Turnover	2	11,802	**12,186**
Cost of sales		(5,484)	**(5,499)**
General and administrative expenses		(4,482)	**(4,873)**
Other gains, net	3	34	**99**
Interest income		9	**33**
Finance costs		(806)	**(763)**
Share of results of associates		26	**6**
Share of results of jointly controlled companies		(39)	**(14)**
Profit before income tax	2, 4	1,060	**1,175**
Income tax	5	(207)	**(292)**
Profit for the period		853	**883**
Attributable to:			
Equity holders of the Company		765	**824**
Non-controlling interests		88	**59**
		853	**883**
Interim dividend declared after the interim period	6(a)	345	**385**
Earnings per share	7		
Basic		11.30 cents	**11.33 cents**
Diluted		11.30 cents	**11.33 cents**

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at June 30, 2011

In HK$ million	Note	The Group As at December 31, 2010 (Audited)	The Group **As at June 30, 2011 (Unaudited)**	The Company As at December 31, 2010 (Audited)	The Company **As at June 30, 2011 (Unaudited)**
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		15,452	**15,709**	–	**–**
Investment properties		5,085	**5,204**	–	**–**
Interests in leasehold land		552	**541**	–	**–**
Properties held for/under development		1,052	**1,059**	–	**–**
Goodwill		3,170	**3,175**	–	**–**
Intangible assets		2,388	**2,505**	–	**–**
Investments in subsidiaries		–	**–**	12,089	**12,089**
Interests in associates		233	**243**	–	**–**
Interests in jointly controlled companies		477	**465**	–	**–**
Held-to-maturity investments		2	**2**	–	**–**
Available-for-sale financial assets		281	**610**	–	**–**
Derivative financial instruments		152	**113**	–	**–**
Deferred income tax assets		78	**78**	–	**–**
Other non-current assets		465	**498**	–	**–**
		29,387	**30,202**	12,089	**12,089**
Current assets					
Properties for sale		772	**863**	–	**–**
Amounts due from subsidiaries		–	**–**	18,262	**17,570**
Sales proceeds held in stakeholders' accounts		845	**921**	–	**–**
Restricted cash		2,281	**1,933**	32	**32**
Prepayments, deposits and other current assets		3,226	**2,580**	10	**9**
Inventories		957	**1,105**	–	**–**
Amounts due from related companies		2	**7**	–	**–**
Derivative financial instruments		17	**3**	–	**–**
Trade receivables, net	8	2,529	**2,847**	–	**–**
Tax recoverable		16	**15**	–	**–**
Cash and cash equivalents		8,101	**8,144**	194	**284**
		18,746	**18,418**	18,498	**17,895**

CONSOLIDATED AND COMPANY BALANCE SHEETS (CONTINUED)

As at June 30, 2011

In HK$ million	Note	The Group As at December 31, 2010 (Audited)	The Group **As at June 30, 2011 (Unaudited)**	The Company As at December 31, 2010 (Audited)	The Company **As at June 30, 2011 (Unaudited)**
Current liabilities					
Short-term borrowings		(7,800)	**(7,823)**	–	**–**
Trade payables	9	(1,705)	**(1,606)**	–	**–**
Accruals and other payables		(4,005)	**(3,965)**	(7)	**(5)**
Amount payable to the Government under the Cyberport Project Agreement		(1,606)	**(1,774)**	–	**–**
Carrier licence fee liabilities		(143)	**(145)**	–	**–**
Amounts due to related companies		(57)	**(127)**	–	**–**
Advances from customers		(1,860)	**(1,631)**	–	**–**
Current income tax liabilities		(568)	**(673)**	–	**–**
		(17,744)	**(17,744)**	(7)	**(5)**
Net current assets		1,002	**674**	18,491	**17,890**
Total assets less current liabilities		30,389	**30,876**	30,580	**29,979**
Non-current liabilities					
Long-term borrowings		(27,041)	**(27,160)**	–	**–**
Derivative financial instruments		(102)	**(7)**	–	**–**
Deferred income tax liabilities		(2,109)	**(2,168)**	–	**–**
Deferred income		(727)	**(782)**	–	**–**
Defined benefit liability		(4)	**(3)**	–	**–**
Carrier licence fee liabilities		(895)	**(881)**	–	**–**
Other long-term liabilities		(119)	**(121)**	–	**–**
		(30,997)	**(31,122)**	–	**–**
Net (liabilities)/assets		(608)	**(246)**	30,580	**29,979**
CAPITAL AND RESERVES					
Share capital		1,818	**1,818**	1,818	**1,818**
(Deficit)/Reserves		(5,081)	**(4,788)**	28,762	**28,161**
Equity attributable to equity holders of the Company		(3,263)	**(2,970)**	30,580	**29,979**
Non-controlling interests		2,655	**2,724**	–	**–**
Total equity		(608)	**(246)**	30,580	**29,979**

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 financial statements for the year ended December 31, 2010.

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 12, 2011.

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 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 August 2011, the Group entered into a settlement agreement to the effect that the level of funding to the Development Maintenance Account (the "DMA Account") should be revised from HK$500 million to HK$451 million and an adjustment was recognized for the period ended June 30, 2011, details of which are more fully disclosed in note 10. During the period ended June 30, 2011, the Group performed a review to reassess the useful lives of certain exchange equipment, transmission plant and other plant and equipment of the Group, based on the expectations of the Group's operational management and technological trend. 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 change prospectively from January 1, 2011. As a result of this change in accounting estimate, the Group's profit for the period ended June 30, 2011 has been increased by HK$31 million and the net liabilities as at June 30, 2011 have been decreased by HK$31 million.

1. BASIS OF PREPARATION (CONTINUED)

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 financial statements for the year ended December 31, 2010, 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 period beginning on or after January 1, 2011:

- Amendments to HKAS 34 'Interim Financial Reporting' are effective for annual periods beginning on or after January 1, 2011. They require an entity to include in its interim financial report an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period.

  On June 2, 2011, the Company announced that the Stock Exchange conditionally approved the Company's proposal to spin-off its telecommunications business by way of a listing of a trust on the main board of the Stock Exchange. The Company's intention is to dispose of a minority stake in the trust through the listing process. Thus, the majority interest in the telecommunications business will be retained by the Company, and the results of the telecommunications business will continue to be consolidated into the financial results of the Company. Proceeds raised from the proposed listing of the trust would be used to reduce the indebtedness of the telecommunications business and to generate sums for the further development of the Company's growth businesses. The proposed spin-off is subject to the approval by the Company's shareholders.

  In addition, the Group, Telstra Corporation Limited ("Telstra") and a jointly controlled company (the "JV") completed certain transactions which resulted in the transfer by the Group and Telstra the majority of the JV's assets, business platforms and operations. The Group received assets and businesses from the JV valued at approximately HK$644 million. The consideration was settled in part by a credit note received from the JV in the sum of approximately HK$491 million and in part by offset against the Company's loan to the JV. As a result, the Group benefited from the recovery of prior investments made in the JV in the amount of approximately HK$104 million, net of related costs and expenses. After the completion of the above transactions, the JV's business scope was significantly simplified to the provision of certain network infrastructure, network maintenance and property management. The JV continues to operate as an outsourcer of telecommunications network services for the Group and Telstra in return for outsourcing fees.

1. BASIS OF PREPARATION (CONTINUED)

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2011, but have no material effect on the Group's results and financial position for the current and prior periods.

- HKFRS 1 (Amendments), 'First-time Adoption of Hong Kong Financial Reporting Standards'.
- HKAS 24 (Revised), 'Related Party Disclosures'.
- HKAS 32 (Amendments), 'Financial Instruments: Presentation'.
- HK(IFRIC)-Int 14 (Revised), 'HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'.
- HK(IFRIC)-Int 19, 'Extinguishing Financial Liabilities with Equity Instruments'.
- Improvements to HKFRSs 2010 issued in May 2010 by the HKICPA, except for amendments to HKAS 34 'Interim Financial Reporting' as disclosed above.

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. Management has determined the operating segments based on these internal reports.

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

- Telecommunications Services ("TSS") is the leading provider of telecommunications products and services including local telephony, broadband access services, local and international data, international direct dial, sales of equipment, technical, maintenance and subcontracting services, and teleservices businesses.

- Mobile includes the Group's mobile telecommunications businesses in Hong Kong.

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

- PCCW Solutions 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 Asia.

- 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"). EBITDA represents earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortization of land lease premium and intangible assets, gains/losses on disposal of property, plant and equipment, investment properties and interests in leasehold land, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on interests in associates and jointly controlled companies and the Group's share of results of associates and jointly controlled companies.

Segment revenue, expense and segment performance include transactions between segments. Inter-segment pricing is based on similar terms as 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:

For the six months ended June 30, 2010
(In HK$ million)

	TSS (Unaudited)	Mobile (Unaudited)	TV & Content (Unaudited)	PCCW Solutions (Unaudited)	PCPD (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Consolidated (Unaudited)
TURNOVER	8,321	838	1,179	1,087	1,070	26	(719)	11,802
RESULTS								
EBITDA	3,398	152	43	100	353	(324)	–	3,722

For the six months ended June 30, 2011
(In HK$ million)

	TSS (Unaudited)	Mobile (Unaudited)	TV & Content (Unaudited)	PCCW Solutions (Unaudited)	PCPD (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Consolidated (Unaudited)
TURNOVER	**8,581**	**919**	**1,189**	**1,104**	**1,250**	**46**	**(903)**	**12,186**
RESULTS								
EBITDA	**3,410**	**218**	**231**	**106**	**240**	**(430)**	**–**	**3,775**

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

In HK$ million	Six months ended June 30, 2010 (Unaudited)	**Six months ended June 30, 2011 (Unaudited)**
Total segment EBITDA	3,722	**3,775**
(Loss)/Gain on disposal of property, plant and equipment	(2)	**1**
Depreciation and amortization	(1,883)	**(1,962)**
Net other gains and restructuring costs	33	**99**
Interest income	9	**33**
Finance costs	(806)	**(763)**
Share of results of associates and jointly controlled companies	(13)	**(8)**
Profit before income tax	1,060	**1,175**

3. OTHER GAINS, NET

In HK$ million	Six months ended June 30, 2010 (Unaudited)	Six months ended **June 30, 2011** **(Unaudited)**
Net realized gains on disposals of available-for-sale financial assets	11	**–**
Net gain on cash flow hedging instruments transferred from equity	21	**21**
Recovery of impairment loss on an interest in a jointly controlled company	–	**104**
Impairment loss on an interest in a jointly controlled company	–	**(16)**
Others	2	**(10)**
	34	**99**

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, 2010 (Unaudited)	Six months ended **June 30, 2011** **(Unaudited)**
Crediting:		
Revenue from properties sold	855	**1,027**
Charging:		
Cost of inventories sold	937	**963**
Cost of properties sold	493	**726**
Cost of sales, excluding inventories and properties sold	4,054	**3,810**
Depreciation of property, plant and equipment	1,356	**1,329**
Operating costs of property, plant and equipment, net	133	**229**
Amortization of intangible assets	516	**622**
Amortization of land lease premium – interests in leasehold land	11	**11**
Finance costs on borrowings	776	**721**
Staff costs	1,342	**1,413**

5. INCOME TAX

In HK$ million	Six months ended June 30, 2010 (Unaudited)	**June 30, 2011 (Unaudited)**
Current income tax:		
Hong Kong profits tax	(57)	**217**
Overseas tax	24	**30**
Movement of deferred income tax	240	**45**
	207	**292**

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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, 2010 (Unaudited)	**June 30, 2011 (Unaudited)**
Interim dividend declared after the interim period of 5.3 HK cents (2010: 5.1 HK cents) per ordinary share	345	**385**

At a meeting held on August 12, 2011, the directors declared an interim dividend of 5.3 HK cents per ordinary share for the year ending December 31, 2011. 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, 2010 (Unaudited)	**June 30, 2011 (Unaudited)**
Final dividend in respect of the previous financial year, approved and paid during the interim period of 10.2 HK cents (2010: 13.3 HK cents) per ordinary share	901	**742**

7. EARNINGS PER SHARE

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

	Six months ended June 30, 2010 (Unaudited)	**Six months ended June 30, 2011 (Unaudited)**
Earnings (in HK$ million)		
Earnings for the purposes of basic and diluted earnings per share	765	**824**
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	6,772,294,654	**7,272,294,654**

8. TRADE RECEIVABLES, NET

An aging analysis of trade receivables is set out below:

In HK$ million	As at December 31, 2010 (Audited)	**As at June 30, 2011 (Unaudited)**
0 – 30 days	1,464	**1,532**
31 – 60 days	308	**331**
61 – 90 days	185	**183**
91 – 120 days	96	**163**
Over 120 days	682	**869**
	2,735	**3,078**
Less: Impairment loss for doubtful debts	(206)	**(231)**
	2,529	**2,847**

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

An aging analysis of trade payables is set out below:

In HK$ million	As at December 31, 2010 (Audited)	**As at June 30, 2011 (Unaudited)**
0 – 30 days	901	**596**
31 – 60 days	184	**99**
61 – 90 days	30	**72**
91 – 120 days	15	**81**
Over 120 days	575	**758**
	1,705	**1,606**

10. POST BALANCE SHEET EVENT

Under the Cyberport Project Agreement signed on May 17, 2000, the DMA Account was established for the provision of funds ("DMA Amount") for the upkeep and maintenance of certain facilities commonly available to both tenants and visitors at the commercial portion of the Cyberport project.

There was a dispute between Cyber-Port Limited (an indirect wholly-owned subsidiary of PCPD, which in turn is an approximately 61.53% indirectly owned subsidiary of PCCW and hereinafter "CPL") and PCCW, and Hong Kong Cyberport Development Holdings Limited, Hong Kong Cyberport Management Company Limited and Hong Kong Cyberport (Ancillary Development) Limited (together, the "FSI Companies") concerning the level of funding to the DMA Account under the Cyberport Project Agreement.

On August 1, 2011, following a mediation process, CPL, PCCW and the FSI Companies entered into a settlement agreement whereby the parties agreed that the level of funding to the DMA Account should be revised from HK$500 million to HK$451 million. The effect of revising the level of funding to the DMA Account is that HK$49 million will be returned to the operating account of the Cyberport project for distribution and as such, adjustment to the DMA Amount was accounted for in the current reporting period ended June 30, 2011.

The Directors as at the date of this announcement are as follows:

Executive Directors:
Li Tzar Kai, Richard (Chairman); Alexander Anthony Arena (Group Managing Director); Peter Anthony Allen; Lee Chi Hong, Robert and Hui Hon Hing, Susanna

Non-Executive Directors:
Sir David Ford, KBE, LVO; Lu Yimin; Zuo Xunsheng (Deputy Chairman); Li Fushen; Chung Cho Yee, Mico and Tse Sze Wing, Edmund, GBS

Independent Non-Executive Directors:
Professor Chang Hsin-kang, FREng, GBS, JP; Dr the Hon Sir David Li Kwok Po, GBM, GBS, OBE, JP; Sir Roger Lobo, CBE, LLD, JP; Aman Mehta and The Hon Raymond George Hardenbergh Seitz

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.