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, 2009

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, 2009. 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 revenue including PCPD increased by 12% to HK$12,774 million, reflecting higher property development revenue recognized; core revenue decreased by 3% to HK$10,468 million
- Consolidated EBITDA including PCPD increased by 4% to HK$3,590 million; core EBITDA decreased by 2% to HK$3,284 million
- Profit attributable to equity holders of the Company amounted to HK$654 million
- Basic earnings per share of 9.66 HK cents

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

MANAGEMENT REVIEW

Although there were signs of the economy stabilizing towards the end of the first half of 2009, the general business environment during the period was much tougher as compared to a year ago. Responding to this challenging environment, greater efforts were put into improving customer service and experience with a view to retaining our customer base. This has made the Group's revenue more resilient to the slower demand in the period.

The Group recorded a 3% year-on-year decrease in core revenue to HK$10,468 million for the six months ended June 30, 2009. The decrease was mainly due to lower revenues from Telecommunications Services ("TSS") and Mobile businesses, partially mitigated by higher revenues from TV & Content and PCCW Solutions businesses.

Consolidated revenue including PCPD for the six months ended June 30, 2009 increased by 12% year-on-year to HK$12,774 million, reflecting higher property development revenue recognized from the Bel-Air project in the period.

Core EBITDA for the six months ended June 30, 2009 decreased by 2% year-on-year to HK$3,284 million, while consolidated EBITDA including PCPD increased by 4% year-on-year to HK$3,590 million.

Profit attributable to equity holders of the Company for the six months ended June 30, 2009 amounted to HK$654 million. Basic earnings per share was 9.66 HK cents. The board of Directors (the "Board") has resolved not to declare any interim dividend for the six months ended June 30, 2009.

OUTLOOK

In the first half of 2009, PCCW operated in an economy that was slowed by the global financial turmoil. However, management is cautiously optimistic about the future as there have been signs that confidence is returning to the stock and property markets and several leading indicators suggest that the economy is stabilizing.

PCCW will continue to carefully manage its costs and investments while developing new revenue opportunities. It will also focus on customer service and retention through enhancement of the customer experience.

New innovative services launched include eye2, a portable media center for the home, and NETVIGATOR Pocket Wi-Fi for multi-device access to the Internet by connection to PCCW's HSPA mobile network. These new services strengthen our quadruple-play offerings and consolidate our position as the premier telecommunications provider in Hong Kong.

The Company is well positioned to capitalize on growth opportunities as the economy moves back onto the path of recovery.

FINANCIAL REVIEW BY SEGMENTS

For the six months ended HK$ million	Jun 30, 2009	Jun 30, 2008	Dec 31, 2008	Better/ (Worse) y-o-y
Revenue				
TSS	8,241	8,551	8,914	(4)%
TV & Content	1,092	1,039	1,200	5%
Mobile	828	857	887	(3)%
PCCW Solutions	905	900	966	1%
Other Businesses	26	43	43	(40)%
Eliminations	(624)	(636)	(756)	2%
Core revenue	**10,468**	10,754	11,254	(3)%
PCPD	2,306	618	9,325	273%
Consolidated revenue	**12,774**	11,372	20,579	12%
Cost of sales	(6,431)	(4,942)	(12,908)	(30)%
Operating costs before depreciation, amortization and restructuring costs	(2,753)	(2,994)	(3,125)	8%
EBITDA[1]				
TSS	3,421	3,549	3,907	(4)%
TV & Content	(34)	(40)	(43)	15%
Mobile	130	108	134	20%
PCCW Solutions	82	82	113	0%
Other Businesses	(315)	(335)	(761)	6%
Core EBITDA[1]	**3,284**	3,364	3,350	(2)%
PCPD	306	72	1,196	325%
Consolidated EBITDA[1]	**3,590**	3,436	4,546	4%
Core EBITDA margin[1,2]	*31%*	*31%*	*30%*	*0%*
Consolidated EBITDA margin[1,2]	*28%*	*30%*	*22%*	*(2)%*
Depreciation and amortization	(1,889)	(1,750)	(1,946)	(8)%
Loss on disposal of property, plant and equipment	–	–	(19)	NA
Restructuring costs	–	–	(169)	NA
Other (losses)/gains, net	(12)	16	(482)	NA
Losses on property, plant and equipment	–	–	(103)	NA
Interest income	12	74	123	(84)%
Finance costs	(748)	(664)	(809)	(13)%
Share of results of associates and jointly controlled companies	10	(7)	18	NA
Impairment losses on interests in associates and jointly controlled companies	(41)	–	(31)	NA
Profit before income tax	**922**	1,105	1,128	(17)%

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 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, 2009	Jun 30, 2008	Dec 31, 2008	Better/ (Worse) y-o-y	h-o-h
Exchange lines in service ('000)	2,590	2,593	2,603	0%	0%
Business lines ('000)	1,183	1,185	1,195	0%	(1)%
Residential lines ('000)	1,407	1,408	1,408	0%	0%
Total broadband access lines ('000) (Consumer, business and wholesale customers)	1,305	1,275	1,302	2%	0%
Retail consumer broadband subscribers ('000)	1,136	1,099	1,126	3%	1%
Retail business broadband subscribers ('000)	113	110	113	3%	0%
Traditional data (Exit Gbps)	792	842	927	(6)%	(15)%
Retail IDD minutes ('M mins)	745	907	878	(18)%	(15)%
International Private Leased Circuit ("IPLC") bandwidth (Exit Mbps)	78,361	61,617	78,202	27%	0%
now TV					
Installed base ('000)	992	927	953	7%	4%
Paying base ('000)	705	668	686	6%	3%
Mobile subscribers ('000)	1,408	1,176	1,313	20%	7%
3G post-paid ('000)	470	288	414	63%	14%
2G post-paid ('000)	430	459	440	(6)%	(2)%
2G prepaid ('000)	508	429	459	18%	11%

TSS

The table below sets out the financial performance of TSS for the six months ended June 30, 2009 and other relevant periods:

For the six months ended **HK$ million**	**Jun 30, 2009**	**Jun 30, 2008**	**Dec 31, 2008**	Better/ (Worse) y-o-y
Local Telephony Services	2,126	2,284	2,280	(7)%
Local Data Services	2,509	2,415	2,480	4%
International Telecommunications Services	1,807	1,911	1,906	(5)%
Other Services	1,799	1,941	2,248	(7)%
TSS revenue	**8,241**	8,551	8,914	(4)%
Cost of sales	(2,954)	(2,922)	(3,229)	(1)%
Operating costs before depreciation and amortization	(1,866)	(2,080)	(1,778)	10%
TSS EBITDA[1]	**3,421**	3,549	3,907	(4)%
TSS EBITDA margin[1,2]	**42%**	42%	44%	0%

TSS revenue for the six months ended June 30, 2009 was HK$8,241 million, a decrease of 4% from a year ago. EBITDA also decreased by 4% year-on-year to HK$3,421 million. EBITDA margin was maintained at the same level compared to a year ago, as operating costs were lower due to slower business activities and cost saving initiatives during the first half of 2009.

Local Telephony Services. Local telephony services revenue for the six months ended June 30, 2009 decreased by 7% year-on-year to HK$2,126 million. Total fixed lines in service at the end of June 2009 decreased marginally to approximately 2,590,000 with a lower average revenue per user ("ARPU"). The decrease in revenue was also attributed to a lower fixed mobile interconnection income during the period.

Local Data Services. Local data services revenue for the six months ended June 30, 2009 increased by 4% year-on-year to HK$2,509 million. The growth in broadband network revenue was mainly driven by the increase in consumer and business broadband revenues. Total broadband access lines in service increased by 2% from a year ago to 1,305,000 at the end of June 2009.

International Telecommunications Services. International telecommunications services revenue for the six months ended June 30, 2009 decreased by 5% year-on-year to HK$1,807 million. The decrease was mainly due to lower IDD revenue from consumer and business customers, partially offset by higher revenue from wholesale traditional and IP-based international connectivity services. Retail IDD minutes totaled 745 million minutes in the first half of 2009, down by 18% from a year ago. The global financial crisis has slowed down activities in the business sector, particularly in the banking and finance segment. This resulted in more cautious spending by business customers.

Other Services. Other services revenue for the six months ended June 30, 2009 decreased by 7% year-on-year to HK$1,799 million, primarily due to lower revenue from sales of computer and customer premises equipment as a result of decreased spending by consumers and enterprises.

TV & Content

For the six months ended HK$ million	Jun 30, 2009	Jun 30, 2008	Dec 31, 2008	Better/ (Worse) y-o-y
TV & Content revenue	**1,092**	1,039	1,200	5%
TV & Content EBITDA[1]	**(34)**	(40)	(43)	15%

TV & Content revenue increased by 5% year-on-year to HK$1,092 million for the six months ended June 30, 2009. The revenue increase was driven by a larger paying subscriber base with a steady ARPU during the period. EBITDA loss narrowed by 15% from a year ago to HK$34 million.

now TV continued to boost the variety and quality of its programming and carried the widest selection of content line-up with more than 170 channels of local, Asian and international programming at the end of June 2009. The installed subscriber base increased by 7% year-on-year to 992,000 at the end of June 2009, while the paying base was up 6% year-on-year to 705,000. ARPU in June 2009 was stable compared to a year ago at HK$213.

Mobile

For the six months ended HK$ million	Jun 30, 2009	Jun 30, 2008	Dec 31, 2008	Better/ (Worse) y-o-y
Mobile revenue	**828**	857	887	(3)%
Mobile EBITDA[1]	**130**	108	134	20%

Mobile revenue for the six months ended June 30, 2009 was HK$828 million, compared to HK$857 million a year ago. The decrease in revenue was mainly due to lower sales of handset and accessories in the first half of 2009, which was partially offset by higher mobile service revenue. EBITDA increased by 20% year-on-year to HK$130 million.

PCCW mobile’s total subscribers increased by 20% year-on-year to 1,408,000 as at June 30, 2009, of which the total postpaid subscribers also grew 20% year-on-year to 900,000. The 3G subscriber base expanded to 470,000, 63% higher than a year ago. 3G subscribers as a percentage of the total postpaid subscribers base trended higher to 52% at the end of June 2009, compared to 39% at the end of June 2008.

Keen competition exerted downward pressure on pricing. Our 3G ARPU in June 2009 was HK$175, compared to HK$216 in December 2008, while our blended 2G and 3G ARPU in June 2009 was HK$132, compared to HK$153 in December 2008.

PCCW Solutions

For the six months ended HK$ million	Jun 30, 2009	Jun 30, 2008	Dec 31, 2008	Better/ (Worse) y-o-y
PCCW Solutions revenue	**905**	900	966	1%
PCCW Solutions EBITDA[1]	**82**	82	113	0%

PCCW Solutions revenue grew by 1% year-on-year to HK$905 million for the six months ended June 30, 2009, while EBITDA remained stable at HK$82 million.

During the first half of 2009, PCCW Solutions continued to grow its application outsourcing and business process outsourcing services with new contracts awarded by the HKSAR Government and from the private sector. Demand for our data center services remained strong as evidenced by the keen uptake by multinational corporations of capacity planned for our new mega data centers in Hong Kong. In mainland China, PCCW Solutions continued to secure projects with Chinese telecommunications companies and services are expanding into new vertical industries including insurance and consumer retail.

PCPD

PCPD revenue for the six months ended June 30, 2009 increased by 273% from a year ago to HK$2,306 million, mainly due to higher revenue recognized from the Bel-Air property development project.

ONE Pacific Heights, located west of Central with 155 luxury boutique apartments, was completed in July 2009. The luxury houses at Villa Bel-Air are expected to be released to the market over the next two years. In mainland China, Pacific Century Place, PCPD's investment property in Beijing's central business district, enjoyed an average occupancy rate of approximately 73% for the six months ended June 30, 2009. Meanwhile, the long-term development projects in Hokkaido in Japan and Phang-nga in southern Thailand also made steady progress during the period.

For more information about the performance of PCPD, please refer to its 2009 interim results released on August 20, 2009.

Other Businesses

Other Businesses primarily includes the Group's wireless broadband business in the United Kingdom and all corporate support functions. Revenue from Other Businesses decreased by 40% year-on-year to HK$26 million.

Eliminations

Eliminations was HK$624 million for the six months ended June 30, 2009. 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, 2009	Jun 30, 2008	Dec 31, 2008	Better/ (Worse) y-o-y
The Group (excluding PCPD)	**4,507**	4,584	5,084	2%
PCPD	1,924	358	7,824	(437)%
Group Total	**6,431**	4,942	12,908	(30)%

The Group's consolidated total cost of sales for the six months ended June 30, 2009 increased by 30% from a year ago to HK$6,431 million, primarily due to a 437% increase in PCPD's cost of sales to HK$1,924 million on higher property development cost recognized for the Bel-Air project.

The Group's cost of sales excluding PCPD decreased by 2% year-on-year to HK$4,507 million, mainly due to the lower cost of customer premises equipment sold in the first half of 2009. Core gross margin was maintained at 57% compared to a year ago.

General and Administrative Expenses

For the six months ended HK$ million	Jun 30, 2009	Jun 30, 2008	Dec 31, 2008	Better/ (Worse) y-o-y
Staff costs	**1,297**	1,378	1,309	6%
Rent, rates and utilities	**484**	445	396	(9)%
Other operating costs	**972**	1,171	1,420	17%
Total operating costs before depreciation, amortization and restructuring costs	**2,753**	2,994	3,125	8%
Depreciation and amortization	**1,889**	1,750	1,946	(8)%
Loss on disposal of property, plant and equipment	–	–	19	NA
Restructuring costs	–	–	169	NA
General and administrative expenses	**4,642**	4,744	5,259	2%

During the six months ended June 30, 2009, the Group continued cost management measures appropriate for the challenging operating environment and achieved 8% savings in the total operating costs before depreciation, amortization and restructuring costs. The savings were, however, partially offset by a 8% year-on-year increase in depreciation and amortization expenses, resulting in an overall year-on-year reduction in general and administrative expenses of 2% to HK$4,642 million.

EBITDA[1]

Although core revenue decreased by 3% year-on-year, core EBITDA for the six months ended June 30, 2009 decreased by a lesser degree of 2% to HK$3,284 million as a result of productivity gains in cost of sales and operations.

Consolidated EBITDA including PCPD increased by 4% from a year ago to HK$3,590 million, primarily driven by a 325% increase in PCPD's EBITDA to HK$306 million on higher property development profit recognized from the Bel-Air project.

Core EBITDA margin was steady at 31% in the first half of 2009. Consolidated EBITDA margin decreased by 2 percentage points from a year ago to 28% in the first half of 2009.

Interest Income and Finance Costs

Interest income decreased by 84% year-on-year to HK$12 million for the six months ended June 30, 2009 mainly due to lower average interest income rates in the first half of 2009. Finance costs increased by 13% year-on-year to HK$748 million due to a higher average debt balance during the period. Net finance cost, therefore, increased by 25% year-on-year to HK$736 million. The average cost of debt for the six months ended June 30, 2009 improved to 4.0% and the average remaining term of debt was approximately 3.4 years.

Income Tax

Income tax expenses for the six months ended June 30, 2009 decreased by 58% to HK$174 million and the Group's effective tax rate for the six months ended June 30, 2009 was 19% (June 30, 2008: 38%). The decreases in tax expenses and effective tax rate were mainly due to a net movement of deferred income tax and a decrease in certain prior years' tax provisions.

Minority Interests

Minority interests of HK$94 million primarily represented the net profit attributable to the minority shareholders of PCPD.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company for the six months ended June 30, 2009 amounted to HK$654 million (June 30, 2008: HK$656 million).

LIQUIDITY AND CAPITAL RESOURCES

The Group's gross debt[4] totaled HK$35,400 million as at June 30, 2009 (December 31, 2008: HK$32,200 million). Cash and cash equivalents decreased to HK$4,762 million (December 31, 2008: HK$9,284 million). The Group's net debt[4] was HK$30,585 million as at June 30, 2009, compared to HK$22,813 million as at December 31, 2008. The increase in net debt was mainly due to the payment of the special dividend during the period.

As at June 30, 2009, the Group had a total of HK$25,016 million in committed banking facilities available for liquidity management, of which HK$5,216 million remained undrawn.

The Group's gross debt[4] to total assets was 76% as at June 30, 2009.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2009, 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, 2009 amounted to HK$691 million, compared to HK$1,305 million for the same period last year. The investments were primarily made in meeting service demands on quadruple-play and high-speed broadband as well as improving our international and mobile networks.

As a result of significant investments made in previous years, now TV, mobile and international networks are already operating in quality infrastructure. This has provided the flexibility to prioritize our capital expenditure in the first half of 2009. Going forward, PCCW will continue to invest prudently, 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, 2009, all cross currency swap contracts were designated as cash flow hedges for the Group's foreign currency denominated long-term borrowings.

CHARGE ON ASSETS

As at June 30, 2009, no assets of the Group (December 31, 2008: certain assets of the Group with an aggregate carrying value of HK$1 million) were pledged to secure loans and banking facilities of the Group.

CONTINGENT LIABILITIES

HK$ million	**As at Jun 30, 2009 (Unaudited)**	As at Dec 31, 2008 (Audited)
Performance guarantee	**451**	923
Others	**66**	27
	517	950

The Group is subject to certain corporate guarantee obligations to guarantee the 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, 2009, the Group had approximately 16,300 employees (December 31, 2008: 17,000). About three quarters of these employees work in Hong Kong and the others are based primarily in mainland China. 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 not to declare any interim dividend for the six months ended June 30, 2009 (June 30, 2008: 7 HK cents per share).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2009, 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, 2009. 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 (the "Code") 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, 2009, except that the Chairman of the Board was unable to attend the Company's annual general meeting held on June 26, 2009 (which was required under the Code provision E.1.2) as he was out of town on another engagement that was important to the Company's business.

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.hkex.com.hk). The 2009 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 20, 2009

CONSOLIDATED INCOME STATEMENT
For the six months ended June 30, 2009

In HK$ million (except for earnings per share)	Note(s)	**2009 (Unaudited)**	2008 (Unaudited)
Turnover	2	**12,774**	11,372
Cost of sales		**(6,431)**	(4,942)
General and administrative expenses		**(4,642)**	(4,744)
Other (losses)/gains, net	3	**(12)**	16
Interest income		**12**	74
Finance costs		**(748)**	(664)
Share of results of associates		**11**	4
Share of results of jointly controlled companies		**(1)**	(11)
Impairment losses on interests in an associate and a jointly controlled company		**(41)**	–
Profit before income tax	2, 4	**922**	1,105
Income tax	5	**(174)**	(417)
Profit for the period		**748**	688
Attributable to:			
Equity holders of the Company		**654**	656
Minority interests		**94**	32
Profit for the period		**748**	688
Interim dividend declared after the interim period	6(a)	**–**	474
Earnings per share	7		
Basic		**9.66 cents**	9.68 cents
Diluted		**9.65 cents**	9.67 cents

CONSOLIDATED BALANCE SHEET
As at June 30, 2009

In HK$ million	Note	**As at June 30, 2009 (Unaudited)**	As at December 31, 2008 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**16,641**	17,092
Investment properties		**3,787**	3,785
Interests in leasehold land		**581**	593
Properties held for/under development		**1,578**	1,546
Goodwill		**2,999**	3,000
Intangible assets		**1,825**	1,885
Interest in associates		**145**	674
Interest in jointly controlled companies		**517**	268
Held-to-maturity investments		**4**	5
Available-for-sale financial assets		**298**	244
Amounts due from related companies		**3**	3
Deferred income tax assets		**87**	48
Other non-current assets		**375**	392
		28,840	29,535
Current assets			
Properties under development		**–**	331
Properties for sale		**1,145**	2,071
Sales proceeds held in stakeholders' accounts		**2,365**	6,994
Restricted cash		**2,797**	823
Prepayments, deposits and other current assets		**2,070**	1,961
Inventories		**827**	1,016
Amounts due from related companies		**28**	35
Derivative financial instruments		**129**	230
Trade receivables, net	8	**3,458**	4,317
Tax recoverable		**9**	8
Cash and cash equivalents		**4,762**	9,284
		17,590	27,070

CONSOLIDATED BALANCE SHEET (CONTINUED)
As at June 30, 2009

In HK$ million	Note	**As at June 30, 2009 (Unaudited)**	As at December 31, 2008 (Audited)
Current liabilities			
Trade payables	9	**(1,432)**	(1,700)
Accruals and other payables		**(4,388)**	(5,241)
Amount payable to the Government under the Cyberport Project Agreement		**(3,040)**	(4,981)
Mobile carrier licence fee liabilities		**(79)**	(76)
Amounts due to related companies		**(88)**	(585)
Gross amounts due to customers for contract work		**–**	(5)
Advances from customers		**(2,428)**	(2,224)
Current income tax liabilities		**(886)**	(1,911)
		(12,341)	(16,723)
Net current assets		**5,249**	10,347
Total assets less current liabilities		**34,089**	39,882
Non-current liabilities			
Long-term borrowings		**(34,995)**	(31,745)
Deferred income tax liabilities		**(976)**	(714)
Deferred income		**(523)**	(670)
Defined benefit liability		**(6)**	(7)
Amount payable to the Government under the Cyberport Project Agreement		**–**	(1,195)
Mobile carrier licence fee liabilities		**(539)**	(512)
Other long-term liabilities		**(111)**	(139)
		(37,150)	(34,982)
Net (liabilities)/assets		**(3,061)**	4,900
CAPITAL AND RESERVES			
Share capital		**1,693**	1,693
(Deficit)/Reserves		**(7,990)**	42
Equity attributable to equity holders of the Company		**(6,297)**	1,735
Minority interests		**3,236**	3,165
Total equity		**(3,061)**	4,900

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of PCCW Limited (the "Company") and its subsidiaries (collectively the "Group") has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2008.

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 judgments, estimates and assumptions that affect the application of policies and 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. The Group deferred and recognized the up-front fees received for installation of equipment and activation of customer service over the expected customer relationship period. During the period, the Group re-assessed the expected customer relationship period. As a result of the re-assessment, the expected customer relationship period has been shortened. This change in accounting estimate has been accounted for prospectively from June 30, 2009. Accordingly, the Group's profit for the period has been increased and the net liabilities as at June 30, 2009 have been decreased by HK$55 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 financial statements for the year ended December 31, 2008, 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, 2009:

- HKAS 1 (Revised), 'Presentation of Financial Statements'. The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: a consolidated income statement and a consolidated statement of comprehensive income. The unaudited condensed consolidated interim financial information has been prepared under the revised disclosure requirements.

1. BASIS OF PREPARATION (CONTINUED)

- Amendment to HKFRS 7, 'Financial Instruments: Disclosures'. The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. The Group will make additional relevant disclosures in its annual financial statements ending December 31, 2009.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2009, but have no material effect on the Group's results and financial position for the current and prior periods.

- HKAS 23 (Revised), 'Borrowing Costs'.
- HKAS 32 (amendment), 'Financial Instruments: Presentation'.
- HKAS 39 (amendment), 'Financial Instruments: Recognition and Measurement'.
- HKAS 40 (amendment), 'Investment Property'.
- HKFRS 2 (amendment), 'Share-based Payment'.
- HKFRS 8, 'Operating Segments'.
- HK(IFRIC)-Int 9 (amendment), 'Reassessment of Embedded Derivatives' and HKAS 39 (amendment), 'Financial Instruments: Recognition and Measurement'.
- HK(IFRIC)-Int 13, 'Customer Loyalty Programmes'.
- HK(IFRIC)-Int 15, 'Agreements for the Construction of Real Estate'.
- HK(IFRIC)-Int 16, 'Hedges of a Net Investment in a Foreign Operation'.
- Improvements to HKFRSs (2008).

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") has been identified as 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 reports.

The CODM considers the business from both a geographic and product perspective. 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.

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

- Mobile includes the Group's mobile telecommunications businesses.

- 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"). 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 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, 2009
(In HK$ million)

	TSS (Unaudited)	TV & Content (Unaudited)	Mobile (Unaudited)	PCCW Solutions (Unaudited)	PCPD (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Consolidated (Unaudited)
TURNOVER	**8,241**	**1,092**	**828**	**905**	**2,306**	**26**	**(624)**	**12,774**
RESULTS								
EBITDA	**3,421**	**(34)**	**130**	**82**	**306**	**(315)**	**–**	**3,590**

For the six months ended June 30, 2008
(In HK$ million)

	TSS (Unaudited)	TV & Content (Unaudited)	Mobile (Unaudited)	PCCW Solutions (Unaudited)	PCPD (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Consolidated (Unaudited)
TURNOVER	8,551	1,039	857	900	618	43	(636)	11,372
RESULTS								
EBITDA	3,549	(40)	108	82	72	(335)	–	3,436

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

In HK$ million	**Six months ended June 30, 2009 (Unaudited)**	June 30, 2008 (Unaudited)
Total segment EBITDA	**3,590**	3,436
Depreciation and amortization	**(1,889)**	(1,750)
Other (losses)/gains, net	**(12)**	16
Interest income	**12**	74
Finance costs	**(748)**	(664)
Share of results of associates and jointly controlled companies	**10**	(7)
Impairment losses on interests in an associate and a jointly controlled company	**(41)**	–
Profit before income tax	**922**	1,105

3. OTHER (LOSSES)/GAINS, NET

In HK$ million	Six months ended June 30, 2009 (Unaudited)	June 30, 2008 (Unaudited)
Net realized gains on disposals of available-for-sale financial assets	**–**	18
Net realized and unrealized fair value gains on derivative financial instruments	**–**	7
Provision for impairment of investment	**–**	(24)
Net gain on cash flow hedging instruments transferred from equity	**21**	15
Others	**(33)**	–
	(12)	16

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, 2009 (Unaudited)	June 30, 2008 (Unaudited)
Crediting:		
Revenue from properties sold	**2,109**	415
Charging:		
Cost of inventories sold	**1,008**	1,215
Cost of properties sold	**1,863**	308
Cost of sales, excluding inventories and properties sold	**3,560**	3,419
Depreciation of property, plant and equipment	**1,337**	1,369
Amortization of intangible assets	**540**	365
Amortization of land lease premium	**12**	16
Finance costs on borrowings	**716**	630
Staff costs	**1,297**	1,378

5. INCOME TAX

In HK$ million	Six months ended June 30, 2009 (Unaudited)	June 30, 2008 (Unaudited)
Current income tax:		
Hong Kong profits tax	**(57)**	464
Overseas tax	**9**	41
Movement of deferred income tax	**222**	(88)
	174	417

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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, 2009 (Unaudited)	June 30, 2008 (Unaudited)
Interim dividend declared after the interim period - Nil (2008: 7 HK cents per ordinary share)	**–**	474

At a meeting held on August 20, 2009, the directors have resolved not to declare any interim dividend for the six months ended June 30, 2009.

b. Dividends approved/declared and paid during the interim period

In HK$ million	Six months ended June 30, 2009 (Unaudited)	June 30, 2008 (Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period - Nil (2008: 13.5 HK cents per ordinary share)	**–**	915
Special dividend declared and paid during the interim period, of 130 HK cents (2008: Nil) per ordinary share	**8,804**	–
	8,804	915

7. EARNINGS PER SHARE

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

	Six months ended	
	June 30, 2009 (Unaudited)	June 30, 2008 (Unaudited)
Earnings (in HK$ million)		
Earnings for the purposes of basic and diluted earnings per share	**654**	656
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,772,294,654**	6,776,300,672
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	**–**	6,072,024
Effect of shares purchased from the market under the Company's share award schemes	**2,519,109**	2,519,109
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,774,813,763**	6,784,891,805

8. TRADE RECEIVABLES, NET

An aging analysis of trade receivables is set out below:

In HK$ million	**As at June 30, 2009 (Unaudited)**	As at December 31, 2008 (Audited)
0 – 30 days	**1,965**	3,122
31 – 60 days	**463**	372
61 – 90 days	**253**	162
91 – 120 days	**171**	101
Over 120 days	**907**	887
	3,759	4,644
Less: Impairment loss for doubtful debts	**(301)**	(327)
	3,458	4,317

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 or per contracted terms unless there is a separate mutual agreement on extension of the credit period. Credit evaluations are performed on all customers requiring credit over a certain amount. 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 June 30, 2009 (Unaudited)**	As at December 31, 2008 (Audited)
0 – 30 days	**692**	1,094
31 – 60 days	**106**	83
61 – 90 days	**94**	55
91 – 120 days	**77**	26
Over 120 days	**463**	442
	1,432	1,700

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

Executive Directors:
Mr. Li Tzar Kai, Richard (Chairman); Mr. Alexander Anthony Arena (Group Managing Director); Mr. Peter Anthony Allen; Mr. Chung Cho Yee, Mico and Mr. Lee Chi Hong, Robert

Non-Executive Directors:
Sir David Ford, KBE, LVO; Mr. Lu Yimin; Mr. Zuo Xunsheng (Deputy Chairman) and Mr. Li Fushen

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; Mr. 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 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 market in which PCCW operates.