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, 2008

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, 2008. This condensed consolidated interim financial information has not been audited, but has been reviewed by the Company's Audit Committee and, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by the Company's independent auditor, PricewaterhouseCoopers.

- Core revenue increased by 13% to HK$10,754 million; consolidated revenue including PCPD decreased by 2% to HK$11,372 million, reflecting lower recognition of property development revenue
- Core EBITDA increased by 10% to HK$3,364 million; consolidated EBITDA including PCPD decreased by 5% to HK$3,436 million. Core segment results and consolidated segment results were HK$1,637 million and HK$1,702 million respectively
- Mobile achieved a positive EBITDA of HK$108 million
- now TV has become the largest local pay-TV operator with installed base up 13% year-on-year to 927,000
- Profit attributable to equity holders of the Company amounted to HK$656 million
- Basic earnings per share of 9.68 HK cents
- Declare interim dividend of 7 HK cents per share

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

MANAGEMENT REVIEW

PCCW's core business delivered double-digit growth in revenue and EBITDA in the first half of 2008. The solid financial performance reflected success in the execution of our growth strategies and focus on operational excellence.

Core revenue grew strongly by 13% year-on-year to HK$10,754 million for the six months ended June 30, 2008, driven by the revenue growth in all core business segments - 11% in Telecommunications Services ("TSS"), 45% in TV & Content, 28% in Mobile and 9% in PCCW Solutions.

Consolidated revenue including PCPD for the six months ended June 30, 2008 was HK$11,372 million, which was 2% lower than a year ago, due to lower property development revenue recognized from the Bel-Air project in the period.

Core EBITDA increased by 10% to HK$3,364 million for the six months ended June 30, 2008, which was primarily attributed to strong revenue growth in all core business segments and significant improvement in TV & Content and Mobile EBITDA. Consolidated EBITDA including PCPD decreased by 5% to HK$3,436 million.

Profit attributable to equity holders of the Company for the six months ended June 30, 2008 amounted to HK$656 million and the basic earnings per share was 9.68 HK cents. The board of Directors (the "Board") has resolved to declare an interim dividend of 7 HK cents per share for the six months ended June 30, 2008.

OUTLOOK

It is encouraging to note that during the first half of 2008, an increasing number of customers were using more of our unique quadruple-play services via each of the four delivery platforms. We are confident that, subject to the continuing satisfactory performance of the Hong Kong economy, this trend will continue, thereby contributing to a rise in household average revenue per user ("ARPU"), which will drive an increase in core business revenue.

In the consumer market, we will seek to maintain our fixed-line customer base, while introducing more value-added features to the PCCW eye home multimedia service. Meanwhile, increasing demand in the commercial sector for higher bandwidth and managed services looks set to further drive growth in broadband, local data and international telecommunications services.

Our broadband service focuses on higher access speeds and versatile wireless solutions. Customers in the home or on the move can enjoy the freedom, seamlessness, stability and ubiquity provided by the combined qualities of our NETVIGATOR Home Wireless, PCCW Wi-Fi and NETVIGATOR Everywhere services.

PCCW mobile's 3G service has strengthened its market position due to our attention to quality of service, network coverage, hassle-free tariff packages and quadruple-play delivery of our media content. We plan to build our mobile position with yet more value-added services and features.

now TV has become the largest local pay-TV operator, offering a vast variety of largely exclusive content and more high-definition ("HD") channels to appeal to a wider audience. More personalized services, such as network-based video recorder functionality, will be introduced in the second half of this year.

The reorganization of our telecommunications services, media and IT solutions businesses into a newly-incorporated holding company, HKT Group Holdings Limited, is designed to improve operational efficiencies, while the proposed sale of up to 45% equity interest in this company – together with a potential future listing - should help unlock value for our shareholders.

With vision, innovation and an unswerving determination to provide customers with the best possible services, the Group will continue to deliver growth in its businesses both in Hong Kong and overseas.

FINANCIAL REVIEW BY SEGMENTS

For the six months ended HK$ million	Jun 30, 2008	Jun 30, 2007	Dec 31, 2007	Better/ (Worse) y-o-y
Revenue				
TSS	8,551	7,706	8,930	11%
TV & Content	1,039	715	988	45%
Mobile	857	668	800	28%
PCCW Solutions	900	826	969	9%
Other Businesses	43	165	84	(74)%
Eliminations	(636)	(573)	(697)	(11)%
Core revenue	**10,754**	9,507	11,074	13%
PCPD	618	2,100	1,034	(71)%
Consolidated Revenue	**11,372**	11,607	12,108	(2)%
Cost of sales	(4,942)	(5,199)	(5,339)	5%
Operating costs before depreciation, amortization and restructuring costs	(2,994)	(2,799)	(3,082)	(7)%
EBITDA[1]				
TSS	3,549	3,431	4,004	3%
TV & Content	(40)	(74)	(83)	46%
Mobile	108	(56)	56	N/A
PCCW Solutions	82	102	48	(20)%
Other Businesses	(335)	(335)	(587)	–
Core EBITDA	**3,364**	3,068	3,438	10%
PCPD	72	541	249	(87)%
Consolidated EBITDA[1]	**3,436**	3,609	3,687	(5)%
Consolidated EBITDA Margin[1,3]	*30%*	*31%*	*30%*	*(1)%*
Depreciation and amortization	**(1,750)**	(1,610)	(1,660)	(9)%
Gain/(Loss) on disposal of property, plant and equipment	**–**	11	(4)	N/A
Other gains/(losses), net	**16**	55	(58)	(71)%
Losses on property, plant and equipment	**–**	(2)	(5)	N/A
Segment results[2]				
TSS	2,465	2,392	2,930	3%
TV & Content	(169)	(150)	(247)	(13)%
Mobile	(252)	(361)	(257)	30%
PCCW Solutions	55	73	23	(25)%
Other Businesses	(462)	(422)	(673)	(9)%
Core segment results	**1,637**	1,532	1,776	7%
PCPD	65	531	184	(88)%
Consolidated segment results[2]	**1,702**	2,063	1,960	(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 jointly controlled companies and associates and the Group's share of results of jointly controlled companies and associates. 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 *Segment results represent earnings before interest income, finance costs, income tax, impairment losses on interests in jointly controlled companies and associates and the Group's share of results of jointly controlled companies and associates.*

Note 3 *Year-on-year percentage change was based on absolute percentage change.*

Note 4 *Figures are stated as at the period end, except for International Direct Dial ("IDD") minutes which is the total for the period.*

Note 5 *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 6 *Group capital expenditure includes additions to property, plant and equipment, investment properties and interests in leasehold land.*

OPERATING DRIVERS[4]	**Jun 30, 2008**	**Jun 30, 2007**	**Dec 31, 2007**	Better/ (Worse) y-o-y	Better/ (Worse) h-o-h
Exchange lines in service ('000)	2,593	2,590	2,590	0%	0%
Business lines ('000)	1,185	1,183	1,183	0%	0%
Residential lines ('000)	1,408	1,407	1,407	0%	0%
Total broadband access lines ('000)	1,275	1,176	1,237	8%	3%
(Consumer, business and wholesale customers)					
Retail consumer broadband subscribers ('000)	1,099	1,005	1,060	9%	4%
Retail business broadband subscribers ('000)	110	104	107	6%	3%
Consumer narrowband subscribers ('000)	108	117	111	(8)%	(3)%
Traditional data (Exit Gbps)	842	614	723	37%	16%
Retail IDD minutes ('M mins)	907	944	947	(4)%	(4)%
International Private Leased Circuit ("IPLC") bandwidth (Exit Mbps)	61,617	47,098	44,144	31%	40%
now TV					
Installed base ('000)	927	818	882	13%	5%
Paying base ('000)	668	560	628	19%	6%
Mobile subscribers ('000)	1,176	957	1,071	23%	10%
3G post-paid ('000)	288	119	206	142%	40%
2G post-paid ('000)	459	462	460	(1)%	0%
2G prepaid ('000)	429	376	405	14%	6%

TSS

The table below sets out the financial performance of TSS for the six months ended June 30, 2008 and other relevant periods:

For the six months ended HK$ million	**Jun 30, 2008**	**Jun 30, 2007**	**Dec 31, 2007**	Better/ (Worse) y-o-y
Local Telephony Services	2,284	2,343	2,391	(3)%
Local Data Services	2,415	2,214	2,443	9%
International Telecommunications Services	1,911	1,591	1,748	20%
Other Services	1,941	1,558	2,348	25%
TSS Revenue	**8,551**	7,706	8,930	11%
Cost of sales	(2,922)	(2,466)	(3,034)	(18)%
Operating costs before depreciation and amortization	(2,080)	(1,809)	(1,892)	(15)%
TSS EBITDA[1]	**3,549**	3,431	4,004	3%
TSS EBITDA Margin[1,3]	**42%**	45%	45%	(3)%

TSS Revenue achieved 11% growth to HK$8,551 million, marked by significant growth in International Telecommunications Services and Other Telecommunications Services. EBITDA and segment results reported 3% growth to HK$3,549 million and HK$2,465 million respectively.

Local Telephony Services. Local telephony services revenue for the six months ended June 30, 2008 edged lower by 3% to HK$2,284 million partly due to the lower revenue from leasing of “last mile” local access lines by other fixed-line network operators. Total fixed lines in service at the end of June 2008 maintained at approximately 2,593,000 with firm ARPU.

Local Data Services. Local data services revenue for the six months ended June 30, 2008 grew 9% year-on-year to HK$2,415 million.

Strong growth in broadband network revenue was fuelled by another double-digit rise in consumer and business broadband service revenues. Total broadband access lines in service reached 1,275,000 at the end of June 2008, up by 8% from a year ago. Our unique content provision across the quadruple-play platforms has proved to be a compelling factor for attracting new customers. More subscribers opting for the new higher-speed broadband services, together with growth in wireless data usage via our seamless Wi-Fi/3G/HSPA networks, have led to higher ARPUs in both consumer and business segments.

Commercial demand for high bandwidth connectivity services increased as more high bandwidth applications were deployed, which resulted in higher bandwidth sold by 37% from a year ago and more than offset the impact from price compression.

International Telecommunications Services. International Telecommunications Services revenue for the six months ended June 30, 2008 increased by 20% from a year ago to HK$1,911 million, led by the growth in wholesale traditional and IP-based international connectivity and voice services. Average retail IDD rates were higher during the period, which offset the impact from the 4% decrease in retail IDD minutes.

Other Services. Other services revenue for the six months ended June 30, 2008 increased by 25% year-on-year to HK$1,941 million. Strong sales of our computer and customer premise equipment were again attributed to the buoyant commercial and consumer markets.

TV & Content

For the six months ended HK$ million	Jun 30, 2008	Jun 30, 2007	Dec 31, 2007	Better/ (Worse) y-o-y
TV & Content Revenue	**1,039**	715	988	45%
TV & Content EBITDA[1]	**(40)**	(74)	(83)	46%

TV & Content maintained growth momentum in the first half of 2008, with revenue surging by 45% from a year ago to HK$1,039 million. This was driven by higher service subscription revenue from a larger paying base and growing ARPU, and higher TV advertising revenues. EBITDA loss further narrowed by 46% year-on-year to HK$40 million.

Attracted by the widest selection of content including HD channels and unique interactive features, now TV's installed subscriber base climbed higher to 927,000 at the end of June 2008, an increase of 13% from a year earlier. The paying base also recorded an increase of 19% year-on-year to 668,000 at the end of June 2008. As the largest pay-TV service provider in Hong Kong, now TV has further boosted its content line-up to more than 160 local and international channels at the end of June 2008, including over 85 exclusive world-class movies, sports, news and general entertainment channels.

ARPU in June 2008 grew by 28% from a year ago to HK$213. The addition of UEFA EURO 2008 to the Barclays Premier League in our strong line-up of sports programming attracted new customer subscriptions to the Mega Sports Pack. The higher ARPU was also attributed to the growing demand for high value packs, buy-all packages and HD premium channels. The introduction of the All-In-One Set-top-box with HD and digital terrestrial television reception capability also helped develop new incremental revenue streams.

MOOV, PCCW's digital music brand with the largest library in Hong Kong of over 130,000 songs and video titles from more than 90 local and international partners/labels, continued to help drive up the subscribers and ARPU of now.com.hk, our popular broadband portal. This first-in-Hong Kong multi-platform digital music service is also available on PCCW mobile and PCCW eye.

Mobile

For the six months ended HK$ million	Jun 30, 2008	Jun 30, 2007	Dec 31, 2007	Better/ (Worse) y-o-y
Mobile Revenue	**857**	668	800	28%
Mobile EBITDA[1]	**108**	(56)	56	N/A

Mobile business continued to experience a robust growth in the first half of 2008, with revenue up 28% year-on-year to HK$857 million. After achieving EBITDA breakeven in 2007, PCCW mobile earnings continued its upward path and generated a positive EBITDA of HK$108 million for the six months ended June 30, 2008.

PCCW mobile's total subscribers reached 1,176,000, a 23% growth from a year ago. The 3G subscriber base grew impressively by 142% year-on-year to 288,000, while the total 2G subscriber base increased by 6% year-on-year to 888,000 in the first half of 2008.

PCCW mobile's service, enriched with value added services (e.g. now on mobile, now SPORTS on mobile, HD on mobile, MOOV, PUSH eMail, Mobile Internet, etc.), continues to be a favorite mobile operator in the market as demonstrated by further customer base growth, a sharp increase in mobile revenue and higher data usage via our wireless networks. As a result, ARPU of our 3G service increased by 3% from December 2007 to HK$222 in June 2008, and our blended 2G and 3G post-paid ARPU increased by 2% from December 2007 to HK$156 in June 2008.

In May 2008, PCCW mobile was awarded the Q-Mark Certificate for its Mobile Network Services, the first of its kind in the mobile industry in Hong Kong. This award recognizes PCCW mobile's commitment to provide industry leading network capabilities and world-class customer management service.

PCCW Solutions

For the six months ended **HK$ million**	**Jun 30, 2008**	**Jun 30, 2007**	**Dec 31, 2007**	Better/ (Worse) y-o-y
PCCW Solutions Revenue	**900**	826	969	9%
PCCW Solutions EBITDA[1]	**82**	102	48	(20)%

PCCW Solutions revenue increased by 9% year-on-year to HK$900 million for the six months ended June 30, 2008. The solid revenue growth was driven by the continued growing demand for IT solution services from both the public and private sectors in Hong Kong and mainland China, and the success in securing contracts from new clients and expanding relationships with existing clients.

The first half of 2008 saw PCCW Solutions continue to strengthen its recurring revenue base and reinforce its leading position in the information technology outsourcing and business process outsourcing businesses in Hong Kong. Recent new business wins included data center hosting services for Rackspace Hosting and Bank SinoPac, application outsourcing services for Philips Lighting and the Hong Kong Examinations and Assessment Authority, and business process outsourcing service for the Rating and Valuation Department.

PCCW Solutions also benefited from a growing revenue contribution from projects with mainland Chinese telecommunications companies. Building on its track record in telecommunications projects, PCCW Solutions has further expanded services into newer vertical industries including insurance and consumer retail in mainland China.

PCPD

PCPD revenue for the six months ended June 30, 2008 decreased by 71% from a year ago to HK$618 million, mainly due to lower revenue recognized from property completion from the Bel-Air project.

ONE Pacific Heights is PCPD's first telephone exchange redevelopment project and is located in Wo Fung Street to the west of Central. Comprising 155 luxury boutique apartments, the project started its pre-sales in June 2008 and is scheduled for completion in 2009. Meanwhile, work on PCPD's high-end residential project at No. 4 Gong Ti Bei Lu in Beijing's Chaoyang District is on target to produce 210 upmarket units in 2010. Pacific Century Place, PCPD's investment property in Beijing's central business district, enjoyed an average occupancy rate of 79% for the six months ended June 30, 2008.

For more information about the performance of PCPD, please refer to its 2008 interim results released on August 21, 2008.

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 74% year-on-year to HK$43 million largely due to the Group's disposal of its entire interest in a telecommunications business in Taiwan in 2007.

Eliminations

Eliminations was HK$636 million for the six months ended June 30, 2008. Eliminations primarily relate 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, 2008**	**Jun 30, 2007**	**Dec 31, 2007**	Better/ (Worse) y-o-y
The Group (excluding PCPD)	**4,584**	3,787	4,720	(21)%
PCPD	358	1,412	619	75%
Group Total	**4,942**	5,199	5,339	5%

The Group's consolidated total cost of sales for the year ended June 30, 2008 decreased by 5% from a year ago to HK$4,942 million, primarily due to a 75% decline in PCPD's cost of sales to HK$358 million on lower recognition of sales of Bel-Air residential units.

The Group's cost of sales excluding PCPD increased by 21% to HK$4,584 million, which was in line with its revenue growth of core business, in particular TV & Content and Mobile.

General and Administrative Expenses

For the six months ended **HK$ million**	**Jun 30, 2008**	**Jun 30, 2007**	**Dec 31, 2007**	Better/ (Worse) y-o-y
Staff costs	**1,378**	1,342	1,443	(3)%
Rent, rates and utilities	**445**	469	465	5%
Other operating costs	**1,171**	988	1,174	(19)%
Total operating costs before depreciation, amortization and restructuring costs	**2,994**	2,799	3,082	(7)%
Depreciation and amortization	**1,750**	1,610	1,660	(9)%
(Gain)/Loss on disposal of property, plant and equipment	**–**	(11)	4	N/A
General and administrative expenses	**4,744**	4,398	4,746	(8)%

General and administrative expenses for the six months ended June 30, 2008 increased by 8% year-on-year to HK$4,744 million to cope with the increased business activities, as seen by a 13% growth in core business revenue. Depreciation and amortization increased by 9% to HK$1,750 million, reflecting higher amortization of intangible assets, partially offset by lower depreciation charges from property, plant and equipment.

EBITDA[1]

Core EBITDA grew 10% from a year ago to HK$3,364 million for the six months ended June 30, 2008. The growth was primarily driven by a 3% increase in TSS EBITDA to HK$3,549 million, a positive EBITDA contribution of HK$108 million from Mobile, and the greatly improved EBITDA of TV & Content.

Consolidated EBITDA including PCPD decreased by 5% from a year ago to HK$3,436 million, mainly due to the 87% decrease in PCPD EBITDA to HK$72 million on lower recognition of sales of Bel-Air residential units which offset the growth from the Group's core business as discussed above.

Both core business EBITDA margin and consolidated EBITDA margin held steady at 31% and 30% respectively in the first half of 2008.

Other Gains, Net

Net other gains were HK$16 million for the six months ended June 30, 2008 (June 30, 2007: HK$55 million). The net other gains in the first half of 2008 primarily comprised gains on disposals of financial assets and on derivative financial instruments, partially offset by provision for impairment of investment.

Segment Results[2]

Core segment results, which exclude PCPD, were 7% higher than a year ago at HK$1,637 million, mainly reflecting the 10% increase in core EBITDA as discussed above.

Consolidated segment results including PCPD decreased by 17% year-on-year to HK$1,702 million primarily due to the 88% reduction in the PCPD segment results to HK$65 million, which more than offset the 7% growth in core segment results as referred to above.

Interest Income and Finance Costs

Finance costs decreased by 22% year-on-year to HK$664 million for the six months ended June 30, 2008 due to lower average market interest rates during the period and the repayment of the US$450 million guaranteed convertible bonds and the US$456 million guaranteed notes in January 2007. Interest income decreased by 69% year-on-year to HK$74 million due to a lower average cash balance and lower average market interest rates. Net finance cost decreased by 3% to HK$590 million during the period. The average cost of debt for the six months ended June 30, 2008 improved to 4.8% and the average remaining term of debt was approximately 4.4 years.

Share of Results of Associates and Jointly Controlled Companies

Share of net losses of associates and jointly controlled companies was HK$7 million for the six months ended June 30, 2008 (June 30, 2007: HK$1 million). The incurred losses were mainly attributable to the sharing of losses of 網通寬帶網絡有限責任公司.

Taxation

Taxation expenses for the six months ended June 30, 2008 increased by 11% year-on-year to HK$417 million and the Group's effective tax rate for the six months ended June 30, 2008 was 38% (June 30, 2007: 26%). The increase of tax expenses and effective tax rate was mainly due to a lower net deferred tax credit in the period and an increase in tax provision of overseas operations. This rate is higher than the statutory tax rate of 16.5% mainly due to the fact that losses of some companies cannot be offset against profits of other companies for Hong Kong tax purposes and the disallowance of certain financing costs relating to the financing of non-income-producing assets. Excluding these factors, the Group would have an effective tax rate around the statutory tax rate of 16.5%.

Minority Interests

Minority interests of HK$32 million primarily represented the net profit attributable to the minority shareholders of PCPD and Unihub China Information Technology Company Limited.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company for the six months ended June 30, 2008 amounted to HK$656 million (June 30, 2007: HK$822 million).

LIQUIDITY AND CAPITAL RESOURCES

The Group's gross debt[5] totaled HK$27,373 million as at June 30, 2008 (December 31, 2007: HK$25,774 million). Cash and cash equivalents increased to HK$4,075 million (December 31, 2007: HK$3,678 million). The Group's net debt[5] was HK$23,191 million as at June 30, 2008 compared to HK$21,990 million as at December 31, 2007. The increase in net debt was mainly due to the payment of the 2007 final dividend, investment in property development projects and other investments made by the Group during the period.

As at June 30, 2008, the Group had a total of HK$17,041 million in committed banking facilities available for liquidity, of which HK$5,268 million remained undrawn.

The Group's gross debt[5] to total assets improved to 52% as at June 30, 2008.

Credit Ratings of PCCW-HKT Telephone Limited

In the first half of 2008, Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("Standard & Poor's") revised the rating outlook on PCCW-HKT Telephone Limited, an indirect wholly-owned subsidiary of the Company, as follows:

- Moody's revised the outlook to developing from positive and affirmed the rating at Baa2; and
- Standard & Poor's revised the outlook to developing from positive and affirmed the rating at BBB.

CAPITAL EXPENDITURE[6]

Group capital expenditure for the six months ended June 30, 2008 increased to HK$1,305 million (June 30, 2007: HK$1,036 million). The increase was mainly due to more investments in international network and for meeting demand on high-speed broadband services. 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 exposure 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, 2008, 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, 2008, certain assets of the Group with an aggregate carrying value of HK$1 million (December 31, 2007: HK$25 million) were pledged to secure loans and banking facilities of the Group.

CONTINGENT LIABILITIES

HK$ million	**As at Jun 30, 2008 (Unaudited)**	As at Dec 31, 2007 (Audited)
Performance guarantee	**845**	841
Others	**45**	80
	890	921

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, 2008, the Group had approximately 16,200 employees (June 30, 2007: 15,400). About three quarters of these employees work in Hong Kong and the others are based outside Hong Kong, 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 net profit after tax targets for the Group as a whole, and revenue and EBITDA[1] targets for the Company’s individual businesses. The Company also operates a discretionary employee share option scheme and two share award schemes to motivate employee performance to enhance shareholders’ value.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 7 HK cents (June 30, 2007: 6.5 HK cents) per share for the six months ended June 30, 2008 to shareholders of the Company whose names appear on the register of members of the Company on September 30, 2008, payable on or around October 8, 2008.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlements to the interim dividend, the Company's register of members will be closed from September 25, 2008 to September 30, 2008 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for the interim dividend of 7 HK cents per share, all transfer documents, accompanied by the relevant share certificates, should be lodged with the Company's 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 September 24, 2008. Dividend warrants will be despatched to shareholders on or around October 8, 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On June 6, 2008, the Company repurchased a total of 10,000,000 ordinary shares on The Stock Exchange of Hong Kong Limited at a purchase price of HK$4.84 per share at an aggregate consideration of HK$48,400,000 (before transaction costs). The repurchased shares were cancelled prior to June 30, 2008 and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The repurchase was effected with a view to benefit shareholders as a whole in enhancing the shareholders' value and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the six months ended June 30, 2008.

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, 2008. Such condensed consolidated interim financial information has not been audited but has been reviewed by the Company's independent auditor.

COMPLIANCE WITH THE CODE ON 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, 2008.

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 2008 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 21, 2008

CONSOLIDATED INCOME STATEMENT
For the six months ended June 30, 2008

In HK$ million (except for earnings per share)	Note	**2008 (Unaudited)**	2007 (Unaudited)
Turnover	2	**11,372**	11,607
Cost of sales		**(4,942)**	(5,199)
General and administrative expenses		**(4,744)**	(4,398)
Other gains, net	3	**16**	55
Losses on property, plant and equipment		**–**	(2)
Interest income		**74**	236
Finance costs		**(664)**	(846)
Share of results of associates		**4**	7
Share of results of jointly controlled companies		**(11)**	(8)
Profit before income tax	4	**1,105**	1,452
Income tax	5	**(417)**	(377)
Profit for the period	2	**688**	1,075
Attributable to:			
Equity holders of the Company		**656**	822
Minority interests		**32**	253
Profit for the period		**688**	1,075
Interim dividend declared after the interim period	6(a)	**474**	440
Earnings per share	7		
Basic		**9.68 cents**	12.16 cents
Diluted		**9.67 cents**	11.96 cents

CONSOLIDATED BALANCE SHEET
As at June 30, 2008

In HK$ million	Note	**As at June 30, 2008 (Unaudited)**	As at December 31, 2007 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**16,792**	16,852
Investment properties		**4,194**	3,920
Interests in leasehold land		**604**	615
Properties held for/under development		**1,518**	1,671
Goodwill		**3,017**	3,016
Intangible assets		**1,729**	1,638
Interest in associates		**656**	655
Interest in jointly controlled companies		**305**	316
Held-to-maturity investments		**5**	6
Available-for-sale financial assets		**384**	321
Amounts due from related companies		**6**	9
Lease payments receivable		**91**	91
Deferred income tax assets		**174**	216
Other non-current assets		**487**	471
		29,962	29,797
Current assets			
Properties under development		**9,299**	8,436
Properties for sale		**622**	697
Sales proceeds held in stakeholders' accounts		**1,668**	2,425
Restricted cash		**802**	682
Prepayments, deposits and other current assets		**1,880**	2,007
Inventories		**914**	854
Amounts due from related companies		**22**	16
Derivative financial instruments		**376**	43
Financial assets at fair value through profit or loss		**–**	12
Trade receivables, net	8	**2,833**	2,709
Tax recoverable		**2**	1
Cash and cash equivalents		**4,075**	3,678
		22,493	21,560

CONSOLIDATED BALANCE SHEET (CONTINUED)
As at June 30, 2008

In HK$ million	Note	**As at June 30, 2008 (Unaudited)**	As at December 31, 2007 (Audited)
Current liabilities			
Short-term borrowings		**(11,773)**	(10,174)
Derivative financial instruments		**–**	(13)
Trade payables	9	**(1,141)**	(1,264)
Accruals and other payables		**(4,170)**	(4,785)
Amount payable to the Government under the Cyberport Project Agreement		**(6,968)**	(5,178)
Mobile carrier licence fee liabilities		**(73)**	(67)
Amounts due to related companies		**(611)**	(539)
Gross amounts due to customers for contract work		**(4)**	(7)
Advances from customers		**(3,397)**	(3,434)
Current income tax liabilities		**(559)**	(684)
		(28,696)	(26,145)
Net current liabilities		**(6,203)**	(4,585)
Total assets less current liabilities		**23,759**	25,212
Non-current liabilities			
Long-term borrowings		**(15,518)**	(15,505)
Deferred income tax liabilities		**(2,041)**	(2,150)
Deferred income		**(712)**	(719)
Defined benefit liability		**(8)**	(9)
Amount payable to the Government under the Cyberport Project Agreement		**–**	(1,741)
Mobile carrier licence fee liabilities		**(557)**	(532)
Other long-term liabilities		**(152)**	(205)
		(18,988)	(20,861)
Net assets		**4,771**	4,351
CAPITAL AND RESERVES			
Share capital		**1,693**	1,695
Reserves/(deficit)		**140**	(143)
Equity attributable to equity holders of the Company		**1,833**	1,552
Minority interests		**2,938**	2,799
Total equity		**4,771**	4,351

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
For the six months ended June 30, 2008

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 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, 2007.

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. Actual results may differ from these estimates.

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, 2007, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards, HKASs and Interpretations ("Ints") (collectively "new HKFRSs") which are effective for accounting periods beginning on or after January 1, 2008:

- HK(IFRIC)-Int 11 HKFRS 2 – Group and Treasury Share Transactions
- HK(IFRIC)-Int 12 Service Concession Arrangements
- HK(IFRIC)-Int 14 HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The adoption of these new HKFRSs has no material effect on the Group's results and financial position for the current or prior periods.

2. SEGMENT INFORMATION

An analysis of turnover and contribution to the Group's results by business segment is set out below:

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

	Telecommunications Services ("TSS") (Unaudited)	TV & Content (Unaudited)	Mobile (Unaudited)	PCCW Solutions (Unaudited)	Pacific Century Premium Developments Limited ("PCPD") (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Consolidated (Unaudited)
TURNOVER	**8,551**	**1,039**	**857**	**900**	**618**	**43**	**(636)**	**11,372**
RESULTS								
Segment results	**2,465**	**(169)**	**(252)**	**55**	**65**	**(462)**	**–**	**1,702**
Interest income								**74**
Finance costs								**(664)**
Share of results of associates and jointly controlled companies	**(7)**	**–**	**–**	**–**	**–**	**–**	**–**	**(7)**
Profit before income tax								**1,105**
Income tax								**(417)**
Profit for the period								**688**

For the six months ended June 30, 2007
(In HK$ million)

	TSS (Unaudited)	TV & Content (Unaudited)	Mobile (Unaudited)	PCCW Solutions (Unaudited)	PCPD (Unaudited)	Other Businesses (Unaudited)	Eliminations (Unaudited)	Consolidated (Unaudited)
TURNOVER	7,706	715	668	826	2,100	165	(573)	11,607
RESULTS								
Segment results	2,392	(150)	(361)	73	531	(422)	–	2,063
Interest income								236
Finance costs								(846)
Share of results of associates and jointly controlled companies	(1)	–	–	–	–	–	–	(1)
Profit before income tax								1,452
Income tax								(377)
Profit for the period								1,075

3. OTHER GAINS, NET

In HK$ million	Six months ended June 30, 2008 (Unaudited)	June 30, 2007 (Unaudited)
Net realized gains/(losses) on disposals of available-for-sale financial assets and financial assets at fair value through profit or loss	**18**	(21)
Net unrealized gains on financial assets at fair value through profit or loss	**–**	3
Net realized and unrealized fair value gains on derivative financial instruments	**7**	69
Provision for impairment of investment	**(24)**	–
Unclaimed dividend payable by a subsidiary written back	**–**	2
Net gain on cash flow hedging instruments transferred from equity	**15**	–
Others	**–**	2
	16	55

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, 2008 (Unaudited)	June 30, 2007 (Unaudited)
Crediting:		
Revenue from properties sold	**415**	1,939
Gain on disposal of property, plant and equipment	**–**	11
Charging:		
Cost of sales, excluding properties sold	**4,634**	3,833
Cost of properties sold	**308**	1,366
Depreciation of property, plant and equipment	**1,369**	1,432
Amortization of intangible assets	**365**	165
Amortization of land lease premium	**16**	13
Finance costs on borrowings	**630**	813
Staff costs	**1,378**	1,342

5. INCOME TAX

In HK$ million	Six months ended June 30, 2008 (Unaudited)	June 30, 2007 (Unaudited)
Current income tax:		
Hong Kong profits tax	**464**	534
Overseas tax	**41**	21
Recovery of deferred income tax	**(88)**	(178)
	417	377

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) 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.

On March 16, 2007, the National People's Congress of the People's Republic of China ("the PRC") approved the Corporate Income Tax Law (the "new CIT Law"). The new CIT Law reduced the corporate income tax rate applicable to the Group's operations in the PRC from 33% to 25% with effect from January 1, 2008. Accordingly, the deferred tax liabilities for the Group's operations in the PRC as at June 30, 2007 was provided at the rate of 25% on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases. The effect on the change in corporate income tax rate applicable to the Group's operations in the PRC was recognized in the income statement for the six months ended June 30, 2007.

6. DIVIDENDS

a. Dividend attributable to the interim period

In HK$ million	Six months ended June 30, 2008 (Unaudited)	June 30, 2007 (Unaudited)
Interim dividend declared after the interim period of 7 HK cents (2007: 6.5 HK cents) per ordinary share	**474**	440

At a meeting held on August 21, 2008, the directors declared an interim dividend of 7 HK cents per ordinary share for the year ending December 31, 2008. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information, but will be reflected as an appropriation of retained earnings for the year ending December 31, 2008.

6. DIVIDENDS (CONTINUED)

b. Dividend attributable to the previous financial year, approved and paid during the interim period

In HK$ million	Six months ended **June 30, 2008 (Unaudited)**	 June 30, 2007 (Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 13.5 HK cents (2007: 12 HK cents) per ordinary share	**915**	813

7. EARNINGS PER SHARE

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

	Six months ended **June 30, 2008 (Unaudited)**	 June 30, 2007 (Unaudited)
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per share	**656**	822
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,776,300,672**	6,758,086,867
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	**6,072,024**	111,466,808
Effect of awards of vested shares under the Company's share award schemes	**2,519,109**	3,731,974
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,784,891,805**	6,873,285,649

8. TRADE RECEIVABLES, NET

An aging analysis of trade receivables is set out below:

In HK$ million	**As at June 30, 2008 (Unaudited)**	As at December 31, 2007 (Audited)
0 – 30 days	**1,365**	1,584
31 – 60 days	**637**	461
61 – 90 days	**271**	209
91 – 120 days	**157**	142
Over 120 days	**700**	591
	3,130	2,987
Less: Impairment loss for doubtful debts	**(297)**	(278)
	2,833	2,709

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, 2008 (Unaudited)**	As at December 31, 2007 (Audited)
0 – 30 days	**610**	721
31 – 60 days	**123**	134
61 – 90 days	**105**	29
91 – 120 days	**10**	24
Over 120 days	**293**	356
	1,141	1,264

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; Chung Cho Yee, Mico; Lee Chi Hong, Robert

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

Independent Non-Executive Directors:
Prof Chang Hsin-kang; Dr The Hon Sir Li Kwok Po, David, GBM, GBS, OBE, JP; Sir Roger Lobo, CBE, LLD, JP; Aman Mehta; 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.