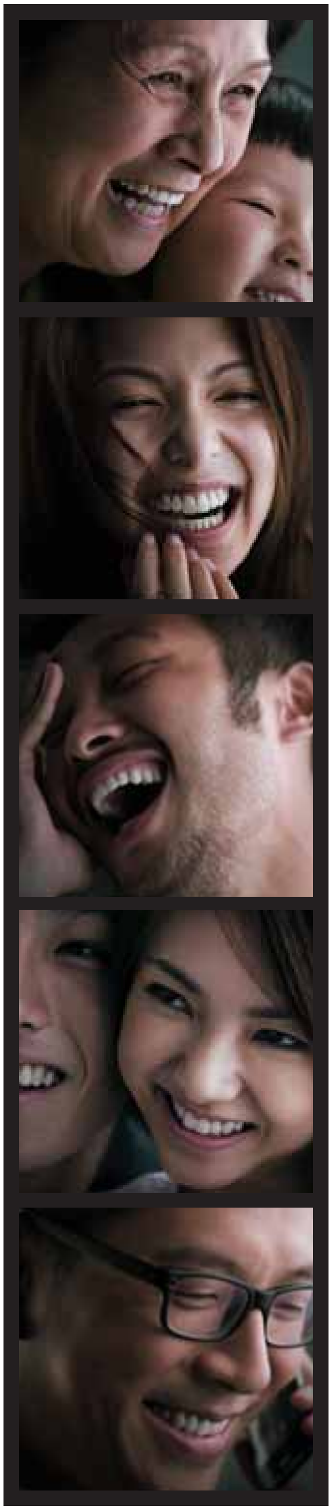
PCCW

Interim Report 2011 | Stock Code : 0008



WE CARE

WE LISTEN

WE ACT

CONTENTS

CORPORATE PROFILE

PCCW Limited (PCCW or the Company) is the holding company of HKT Group Holdings Limited (HKTGH), Hong Kong's premier telecommunications provider and a world-class player in Information and Communications Technologies. PCCW also holds a majority interest in Pacific Century Premium Developments Limited, and overseas investments including the wholly-owned UK Broadband Limited.

As the provider of Hong Kong's first quadruple-play experience, PCCW/HKTGH offers a range of innovative media content and services across four platforms – fixed-line, broadband Internet access, TV and mobile. In addition, the Group meets the sophisticated needs of the local and international business community, while supporting network operators with cutting-edge technical services and handling large-scale IT outsourcing projects for public and private sector organizations.

Employing approximately 19,800 staff, PCCW is headquartered in Hong Kong and maintains a presence in Europe, the Middle East, Africa, the Americas and mainland China, as well as other parts of Asia.

PCCW shares are listed on The Stock Exchange of Hong Kong Limited (SEHK: 0008) and traded in the form of American Depositary Receipts (ADRs) on the OTC Markets Group Inc. in the U.S. (Ticker: PCCWY).

KEY FIGURES

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2011
In HK$ million (except for per share data)

	2010 (Unaudited)	**2011 (Unaudited)**
Turnover		
Core revenue*	10,732	**10,936**
PCPD	1,070	**1,250**
	11,802	**12,186**
Cost of sales	(5,484)	**(5,499)**
General and administrative expenses	(4,482)	**(4,873)**
Other gains, net	34	**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**
Income tax	(207)	**(292)**
Profit for the period	853	**883**
Attributable to:		
Equity holders of the Company	765	**824**
Non-controlling interests	88	**59**
Earnings per share (in HK cents)		
Basic	11.30	**11.33**
Diluted	11.30	**11.33**
Dividend per share (in HK cents)		
Interim dividend	5.10	**5.30**
EBITDA[1]		
Core EBITDA*	3,369	**3,535**
PCPD	353	**240**
	3,722	**3,775**

OPERATION HIGHLIGHTS

	As at December 31, 2010	**As at June 30, 2011**
Exchange lines in service ('000)	2,590	**2,625**
Business lines ('000)	1,183	**1,217**
Residential lines ('000)	1,407	**1,408**
Traditional data (Exit Gbps)	1,045	**1,243**
International Private Leased Circuit bandwidth (Exit Mbps)	109,864	**148,834**
Total broadband access lines ('000)	1,367	**1,437**
now TV installed base ('000)	1,039	**1,088**
Mobile subscribers ('000)	1,484	**1,506**
3G post-paid ('000)	667	**880**
2G post-paid ('000)	250	**43**
2G prepaid ('000)	567	**583**

*Note: Please refer to page 12. Note 1: Please refer to page 14.

STATEMENT FROM THE CHAIRMAN

While the global economy has been gradually recovering since the 2008 financial crisis, the latter's repercussions are still felt in many places three years on. Uncertainties about the pace of recovery linger on, as a number of nations address their debt issues.

As these events unfold, we will continue to be prudently cautious about the outlook of the key markets in which PCCW operates as global sentiment remains volatile.

The Group's performance in the first half of 2011 reflects these economic and market conditions. There was broad improvement of the Company's core businesses, which contributed to a healthy set of financial results.

Total revenues of the Group for the six months ended June 30, 2011 increased to HK$12,186 million. Profit attributable to equity holders of the Company rose 8% year-on-year to HK$824 million.

During the period, the Company actively rolled out our PON (passive optical network) service as part of our comprehensive offerings to satisfy the high-speed broadband needs of customers. Mobile data continued to be a significant growth area due to the increase of smartphones and tablets. Going from strength to strength, now TV saw another encouraging period with continued customer base expansion.

We are confident that our customer-focused service initiatives and successful marketing campaigns would be able to fuel further growth of our businesses. We therefore expect to see promising operational performance in the second half, barring unforeseen adverse local and global economic developments.

In addition to the day-to-day business activities, the management team has been pursuing the spin-off of the telecom business into a separately-listed trust with a view to creating additional shareholders value.

A formal application to the Stock Exchange of Hong Kong for the listing of and permission to deal in stapled securities of the trust was submitted in July, and discussions with the regulatory authorities to list the trust in Hong Kong have been progressing satisfactorily.

It is intended that a circular to PCCW shareholders to seek their approval of the spin-off be sent out shortly after the 2011 interim results announcement. Subject to the approvals of shareholders and the relevant authorities, and provided that market conditions are favorable, our current plan is to list the trust on the main board of the Stock Exchange of Hong Kong in the last quarter of 2011.

Richard Li
Chairman
August 12, 2011

STATEMENT FROM THE GROUP MANAGING DIRECTOR

Entering 2011 the Hong Kong economy continued to recover, although developments in the other parts of the world remain unpredictable. Meanwhile, price competition in the local telecom market has not eased off despite the improving business environment.

For the first half of 2011, PCCW recorded healthy growth of its various lines of core businesses, which was indicative of the infrastructure advantages of the Company, our attractive service and price propositions, and our relentless pursuit of excellent customer service.

PCCW is the only telecom operator in Hong Kong that is investing in a large number of dedicated customer service centers. Both general consumer customers and business customers may receive assistance at these centers in relation to our wide range of services. For instance, workshops are organized at the centers to show smartphone and tablet owners how to make full use of their devices. Response to these workshops has been enthusiastic, and more sessions will be held as more new centers begin operation across Hong Kong in the second half of this year.

We value every channel to communicate with our customers. PCCW has created a customer service page on social networks such as facebook, offering existing and potential customers the latest product information and tips, and inviting them to give us feedback.

MULTIPLE BROADBAND TECHNOLOGIES

In the first half, we pressed ahead with our effective broadband strategy using multiple technologies to meet the customers' needs for different speeds, at the same time further expanding our FTTB (fiber-to-the-building) and FTTH (fiber-to-the-home) coverage.

We launched a major campaign to introduce fiber connectivity of up to 1000Mbps to the mass market in June, which has resulted in very positive word-of-mouth and a notable pick-up in service subscriptions. Our experienced field service staff members have been well trained to fulfill the increasing demand. These new customers together with upgrade by existing customers should further lift our broadband performance going forward.

PCCW takes pride in its ability to provide ubiquitous connection for the Hong Kong public, and has played a major role in transforming Hong Kong into a leading Wi-Fi city. In May, we extended our free Wi-Fi service to public rental housing estate residents across Hong Kong. Today, PCCW has more than 9,000 Wi-Fi hotspots enabling a speedy and convenient Internet experience outside the home.

To add value to PCCW's already superior fixed and wireless broadband proposition, we are introducing in the third quarter a new consumer cloud service known as uHub. A user may keep photos, music, videos and documents in the uHub and retrieve them anytime using a smartphone or a tablet. The process is secure and fast – and allows sharing with friends and other trusted parties.

MOBILE DATA GROWTH

In fact, the proliferation of smartphones and tablets and the evolution of more advanced devices have sharply driven up the demand for bandwidth, which poses ever increasing challenges for mobile operators. Having anticipated this market development and the opportunities arising, PCCW has integrated its mobile, Wi-Fi and fixed networks to provide the best solution for customers to enjoy an unparalleled broadband experience.

The latest figures show that more than 90% of new PCCW mobile handset plan customers are smartphone users, who account for significantly higher ARPU contribution.

Only PCCW can leverage its powerful infrastructure to provide a comprehensive and affordable roaming proposition. Launched in the first half of 2011, RoamSave is a simple application for iPhones and Android-based devices which, using Wi-Fi connection, allows PCCW mobile customers traveling abroad to make and receive voice calls as if they were in Hong Kong for as low as HK$8 a day. For data users, we have also introduced a day pass for unlimited data roaming at top travel destinations.

As part of our customer service efforts, a My Account application was launched for PCCW mobile customers to check bill details including voice and data volume used.

TV AND BEYOND

Performance of now TV in the first half remained strong due to its astute approach to program acquisition and development. With customer subscription base rising further to 1,088,000, EBITDA grew substantially and stayed firmly on the positive track.

Bringing the best and the widest choice of content from around the world to Hong Kong is now TV's commitment to customers. From some of the largest Hollywood studios we present on the new now Video Express channels the latest blockbusters, some of which are available as soon as their DVDs are released in Hong Kong. To enhance viewing experience, a pre-paid now DOLLAR coupon system has been put in place so that viewers can enjoy movies on-demand at better value.

Sports fans are also being well looked after. now TV has extended the exclusive broadcast rights to the Spanish football league, La Liga, until 2014/15. Our NBA coverage will become exclusive when the new season begins. In June, now TV obtained the exclusive Hong Kong broadcast rights to the Rugby World Cup 2011, which will take place in New Zealand in September and October. Shortly after the end of the period under review, football lovers applauded the news of now TV's success in securing, again exclusively in Hong Kong, the media rights to UEFA EURO 2012. Customers of the Mega Sports Pack will be able to watch all the matches of this most anticipated football event next year.

Following the spectacular launch of the now 101 channel and its flagship ATM show in February, new ideas are in the pipeline to make the quiz show even more exciting and attractive to viewers and advertisers. Furthermore, a new entertainment channel with a distinctive concept and interesting content is being developed for launch later this year.

With changing viewing habits and increased mobility, PCCW has taken content beyond traditional television screens. A MOOV application for iPhone, introduced in June, enables customers on-the-move to listen to music and watch music videos anytime. Meanwhile, we have launched a "now" branded online information and video portal, now.com, leveraging now TV's premium video content with additional value-add of text, data, tagging and social media elements.

A TRUSTWORTHY BUSINESS PARTNER

The Company's commercial business also registered satisfactory results in the first half under the sustained recovery of the Hong Kong economy. Customer premises equipment sale was particularly strong upon the return of larger-sized projects. PCCW remains the preferred telecom partner of major corporations because of our reliable and extensive network and professional staff.

The one communications integrated telecom platform, constantly enriched by more comprehensive features, has been adopted by a growing number of small- and medium-sized enterprises.

The more creative use of broadband, for example for payment and security purposes, boosted the demand for both fixed and wireless commercial broadband service. There is also increased fiber demand in the commercial sector which is well met with our PON deployment.

In relation to the contact center business, PCCW Teleservices' bases in Hong Kong, mainland China, the U.S., Panama and the Philippines continued to provide a competent and customer-focused service to local and multinational companies. In the first half, it enlarged the scale of cooperation with a number of strategic clients serving their expanding worldwide base of customers.

FULL INFORMATION TECHNOLOGY SERVICE PROVIDER

The Group's flagship IT arm, PCCW Solutions, continued to serve the community through projects relating to public safety, immigration, banking, aviation, maritime, fashion, healthcare, cultural, entertainment, and other businesses, including award-winning systems for its clients.

In the first half, PCCW Solutions secured data center services for some major financial service and consumer products companies. As a provider of borderless full spectrum cloud computing services, it launched a "virtual instances service", which is a server cloud service providing customers with computing resources on-demand to cater for different workloads.

During the period, a significant win in application outsourcing was a contract for a new Engineering Work and Traffic Information Management System for the MTR Corporation.

In mainland China, PCCW Solutions continued to deepen its business relationships with the major telecom operators. In other industries, it obtained a contract in May to provide a Control Tower Simulator solution for China's Middle South Regional Air Traffic Management Bureau.

PCCW Solutions also won new infrastructure solutions projects from clients in the media and entertainment sectors in Hong Kong and neighboring areas. It secured more long-term business process outsourcing contracts in the public and private sectors, such as a total document management service for the Rating and Valuation Department.

With a 2,300-strong team, PCCW Solutions has established itself as a full service provider offering complete end-to-end data center, infrastructure, hardware, software, and business process services.

EXTENDING GLOBAL CONNECTIVITY

Already reaching 1,500 cities and 110 countries, PCCW Global has further strengthened its network coverage and service availability with interconnection agreements with overseas service providers and carriers. It has enhanced its Ethernet solutions leveraging SDH and MPLS platforms, offering enterprise customers highly scalable and more reliable global LAN/MAN/WAN Ethernet solutions with coverage in more than 70 countries.

During the first half, PCCW Global and Kenya Data Networks introduced the first High-Definition Video Conferencing (HDVC) solution connecting the U.S., U.K., Hong Kong and Kenya. High-level executives from key Kenyan industries were invited to a demonstration of the benefits that HDVC solutions can bring to business operations. The demonstration was made possible by the interconnected MPLS VPN networks between PCCW Global and Kenya Data Networks.

Efficiencies gained from the integration of businesses and assets from Reach Ltd, a joint venture with Telstra Corporation Ltd, which was completed in February, will have long-term benefits for the Group's global connectivity business.

FAVORABLE PRICES FOR BEL-AIR HOUSES

Hong Kong residential property prices continued to rise during the first half of this year. Pacific Century Premium Developments (PCPD) took advantage of the favorable market conditions and sold seven houses at Villa Bel-Air at good prices in the early months of 2011. Due to the scarcity of high quality houses in the market, PCPD is confident that the last four Villa Bel-Air houses will likewise be sold at favorable prices.

PCPD is currently focusing its efforts on developing two overseas projects in Hokkaido, Japan and Phang-nga, Thailand.

Design work for the project in Hokkaido is proceeding in accordance with the working schedule. In view of the earthquake that occurred in Japan earlier this year, PCPD is monitoring the situation closely and will adjust its strategy where necessary.

MULTIPLE DRIVERS FOR GROWTH

The sustained growth of our broadband business, despite intense competition, is ample proof that our unique fixed and wireless broadband proposition is a winning differentiator. PCCW will continue to take advantage of its network strengths, including its extensive fiber coverage, to meet customer needs.

A large majority of PCCW's new mobile customers are smartphone or tablet users with higher spending. While the first-half result of our mobile business was very satisfactory, we look forward to further growth in the coming months as more new data-hungry devices become available to consumers.

As the Android platform is being increasingly embraced by consumers, PCCW will be introducing to the markets a new generation of the eye multimedia device offering similar user experience to Android mobile handsets such as access to the multitude of applications on the Android Market.

For some time, now TV has been providing a comprehensive viewing experience by making its programming available on-demand and on other PCCW quadruple-play delivery platforms such as the eye. With its continued effort to enrich the lineup of both self-produced and acquired programs, there will be an abundance of new attractions in the coming months to bolster customer in-take, stickiness and ARPU.

Regarding the global connectivity business, our carrier and enterprise relationships will benefit from PCCW Global's enhanced network coverage and service quality. PCCW Global will leverage the businesses and assets from the integration of Reach Ltd – including submarine fiber cables, additional Points of Presence, teleport and satellite coverage – to strengthen its global voice, transmission, Ethernet, IP/MPLS, satellite and other network services.

As Hong Kong's premier telecom service provider, PCCW enjoys a steady and strong cash flow from its well-established operations, while there are good prospects for further business development, provided that economic conditions are favorable.

PCCW excels in network capability and product innovation, and is a leader in promoting excellent customer service. We are confident that our businesses can continue on a growth path for the remainder of 2011 and beyond.

Alex Arena
Group Managing Director
August 12, 2011

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard
Chairman

Mr Li, aged 44, was appointed an Executive Director and Chairman of PCCW in August 1999. He is Chairman of PCCW's Executive Committee and a member of Nomination Committee of the Board. He is also Chairman and Chief Executive of the Pacific Century Group, Executive Director and Chairman of Pacific Century Premium Developments Limited (PCPD), Chairman of PCPD's Executive Committee, a member of PCPD's Remuneration Committee and Nomination Committee, and Chairman of Singapore-based Pacific Century Regional Developments Limited.

Mr Li is a Non-Executive Director of The Bank of East Asia, Limited. He is also a representative of Hong Kong, China to the Asia Pacific Economic Co-operation (APEC) Business Advisory Council, a member of the Center for Strategic and International Studies' International Councillors' Group in Washington, D.C., and a member of the Global Information Infrastructure Commission.

Alexander Anthony ARENA
Group Managing Director

Mr Arena, aged 60, was appointed an Executive Director of PCCW in August 1999. He is Group Managing Director of PCCW, Deputy Chairman of PCCW's Executive Committee and a member of Regulatory Compliance Committee of the Board. He is also a Non-Executive Director of Pacific Century Regional Developments Limited, an Executive Director and Deputy Chairman of Pacific Century Premium Developments Limited (PCPD) and a member of PCPD's Executive Committee.

Prior to joining the Pacific Century Group in 1998, Mr Arena was a Special Policy Adviser to the Hong Kong Government from 1997 to 1998. From 1993 to 1997, he was Director-General of Telecommunications at the Office of the Telecommunications Authority (OFTA) of Hong Kong, as well as a member of the Broadcasting Authority of Hong Kong.

Before taking up his post at OFTA, Mr Arena was appointed by the Hong Kong Government to plan a reform program for the liberalization of Hong Kong's telecommunications sector. Prior to his appointment to the Hong Kong Government, he served as an inaugural member of the Australian Telecommunications Authority for four years. Mr Arena has led an extensive career in public administration, specializing in high technology and infrastructure industries. From a practicing radio/communications engineer to a public policy maker, his experience spans such diverse areas as commercialization of government-owned business enterprises and deregulation in the aviation, transport, telecommunications and postal industries.

Mr Arena completed a bachelor's degree in electrical engineering from the University of New South Wales, Australia in 1972 and graduated in 1973. He completed an MBA at the University of Melbourne, Australia in 1977 and graduated in 1978. He has been a Fellow of the Hong Kong Institution of Engineers since 2001.

Peter Anthony ALLEN
Executive Director

Mr Allen, aged 56, was appointed an Executive Director of PCCW in August 1999. He is Director of Corporate Development of PCCW, Group Managing Director of Pacific Century Regional Developments Limited and an Executive Director and Chief Financial Officer of the Pacific Century Group.

Mr Allen joined KPMG in 1976 before taking up an appointment at Occidental Petroleum Corporation in 1980. In 1983, he joined Schlumberger Limited and worked in various countries holding key management positions. In 1989, he moved to Singapore as Regional Financial Director of the Vestey Group.

Mr Allen joined Boustead Singapore Limited as Group Operations Controller in 1992 before taking up an appointment with Morgan Grenfell Investment Management (Asia) Limited as a Director and Chief Operating Officer in 1995. He joined the Pacific Century Group in 1997.

Mr Allen was educated in England and graduated from the University of Sussex with a degree in economics. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow Member of CPA Australia and a Fellow of the Institute of Certified Public Accountants of Singapore.

LEE Chi Hong, Robert
Executive Director

Mr Lee, aged 60, was appointed an Executive Director of PCCW in September 2002. He is a member of PCCW's Executive Committee. He is also an Executive Director and Chief Executive Officer of Pacific Century Premium Developments Limited (PCPD) and a member of PCPD's Executive Committee.

Mr Lee was previously an Executive Director of Sino Land Company Limited (Sino Land), at which his responsibilities included sales, finance, acquisitions, investor relations, marketing and property management. Prior to joining Sino Land, Mr Lee was a senior partner at Deacons in Hong Kong, where he specialized in banking, property development, corporate finance and dispute resolution in Hong Kong and mainland China. Before that, he was a solicitor with the London firm Pritchard Englefield & Tobin (now Pritchard Englefield). He was enrolled as a solicitor in the United Kingdom in 1979 and admitted as a solicitor in Hong Kong in 1980. Mr Lee became a Notary Public in Hong Kong in 1991.

Mr Lee had also served as a member of the panel of arbitrators of the China International Economic and Trade Arbitration Commission of the China Council for the Promotion of International Trade in Beijing.

He graduated from Cornell University in the United States in 1975 with a bachelor's degree in political science.

HUI Hon Hing, Susanna
Executive Director
Ms Hui, aged 46, was appointed an Executive Director of PCCW in May 2010. She is a member of PCCW's Executive Committee. She has been the Group Chief Financial Officer of PCCW since April 2007 and holds directorships in various PCCW group companies. Prior to her appointment as the Group Chief Financial Officer of PCCW, she was Director of Group Finance of PCCW from September 2006 to April 2007. Before that, she was Director of Finance of PCCW, with responsibility for the telecommunications services sector and regulatory accounting. She has also been the Chief Financial Officer of Pacific Century Premium Developments Limited since July 2009.

Prior to joining Cable & Wireless HKT Limited (which was subsequently acquired by PCCW) in September 1999, Ms Hui was the chief financial officer of a listed company engaged in hotel and property investment and management.

Ms Hui graduated with a bachelor's degree in social sciences from the University of Hong Kong with first class honours. She is a qualified accountant and a member of both the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTORS

Sir David FORD, KBE, LVO
Non-Executive Director
Sir David, aged 76, was appointed a Non-Executive Director of PCCW in June 2002. He started his working life as an army officer in the Royal Artillery and served in five continents. During his last five years with the army, he served with the Commando Brigade and saw active service in Aden and Borneo.

Sir David left the army in 1972 and subsequently spent more than 20 years in Hong Kong, holding a number of appointments as a senior civil servant in the Hong Kong Government and one appointment in the Northern Ireland Office.

He attended the Royal College of Defence Studies in 1982. He was Chief Secretary and Deputy Governor of the Hong Kong Government from 1986 to 1993, before becoming the Hong Kong Commissioner in London until the change of sovereignty in Hong Kong in 1997.

LU Yimin
Non-Executive Director
Mr Lu, aged 47, became a Non-Executive Director of PCCW in May 2008. He is a member of the Nomination Committee and Regulatory Compliance Committee of the Board.

Mr Lu is an Executive Director and President of China Unicom (Hong Kong) Limited. He is Vice Chairman and President of China United Network Communications Group Company Limited. He is also a Director and President of China United Network Communications Limited and a Director and President of China United Network Communications Corporation Limited.

Mr Lu joined China Network Communications Group Corporation (CNC) in December 2007, serving as senior management. Prior to joining CNC, Mr Lu was a member of the Secretary Bureau of the General Office of the Chinese Communist Party Central Committee, serving as the Deputy Director and the Director of the Information Processing Office since 1992, Secretary at deputy director general level since 2001 and Secretary at director general level since 2005.

Mr Lu is a professor level senior engineer and has extensive experience in government administration and business management. He graduated from Shanghai Jiao Tong University in 1985 with a bachelor's degree in computer science and then was awarded a master's degree in public administration by the John F. Kennedy School of Government at Harvard University in the United States.

ZUO Xunsheng
Deputy Chairman and Non-Executive Director
Mr Zuo, aged 60, became a Deputy Chairman and Non-Executive Director of PCCW in July 2007. He is a member of the Remuneration Committee and Executive Committee of the Board.

Mr Zuo was an Executive Director of China Unicom (Hong Kong) Limited from October 2008 and was also a Senior Vice President from February 2009 until he retired in March 2011. He was Vice Chairman and Vice President of China United Network Communications Group Company Limited. He was also a Director of China United Network Communications Limited and a Director and Senior Vice President of China United Network Communications Corporation Limited.

Mr Zuo joined China Network Communications Group Corporation as Vice President in April 2002, and served as Senior Vice President of China Netcom Group Corporation (Hong Kong) Limited (CNC HK) since July 2004, Chief Operating Officer of CNC HK since December 2005, an Executive Director and Chief Executive Officer of CNC HK since May 2006 and Chairman of CNC HK since May 2008.

Mr Zuo graduated from Guanghua School of Management of Peking University with an EMBA degree in 2004. From July 1993 to October 1997, Mr Zuo served as Director of the former Bureau of Telecommunications of Jinan City, Shandong Province. From October 1997 to May 2000, he served as Director of the former Posts and Telecommunications Bureau of Shandong Province. He was President of the former Shandong Telecommunications Company from May 2000 to April 2002. Mr Zuo is well experienced in telecommunications operations and has rich management experience.

LI Fushen
Non-Executive Director

Mr Li, aged 48, became a Non-Executive Director of PCCW in July 2007.

Mr Li is an Executive Director and Chief Financial Officer of China Unicom (Hong Kong) Limited (Unicom HK). He is Vice President of China United Network Communications Group Company Limited. He is also a Director of China United Network Communications Limited and a Director and Senior Vice President of China United Network Communications Corporation Limited. He served as a Senior Vice President of Unicom HK from February 2009 to March 2011. He served as an Executive Director of China Netcom Group Corporation (Hong Kong) Limited (CNC HK) since January 2007 and as Chief Financial Officer of CNC HK since September 2005. He served as Joint Company Secretary of CNC HK from December 2006 to March 2008. Since October 2005, he has served as Chief Accountant of China Network Communications Group Corporation (CNC). From October 2003 to August 2005, he served as General Manager of the Finance Department of CNC. From November 2001 to October 2003, he served as Deputy General Manager of the former Jilin Provincial Telecommunications Company and Jilin Communications Company.

Mr Li graduated from the Australian National University with a master's degree in management in 2004, and from the Jilin Engineering Institute with a degree in engineering management in 1988.
Mr Li has worked in the telecommunications industry for a long period of time and has extensive management experience.

CHUNG Cho Yee, Mico
Non-Executive Director

Mr Chung, aged 50, is a Non-Executive Director of PCCW. He was an Executive Director of PCCW from November 1996 with responsibility for merger and acquisition activities and was re-designated to a Non-Executive Director of PCCW in May 2010. He joined the Pacific Century Group in March 1999.

Mr Chung graduated from University College, University of London in the United Kingdom, with a law degree in 1983.

Mr Chung is currently the Chairman and an Executive Director of CSI Properties Limited which he joined in 2004. He is also an Independent Non-Executive Director of HKC (Holdings) Limited. He was an Independent Non-Executive Director of CIAM Group Limited between March 9, 2001 and May 31, 2008.

TSE Sze Wing, Edmund, GBS
Non-Executive Director

Mr Tse, aged 73, is a Non-Executive Director of PCCW. He was an Independent Non-Executive Director of PCCW from September 2009 and was re-designated to a Non-Executive Director of PCCW in March 2011.

Mr Tse is the Non-Executive Chairman and a Non-Executive Director of AIA Group Limited. He is also the Chairman of Nan Shan Life Insurance Company, Ltd.* and The Philippine American Life and General Insurance Company. From 1996 until June 2009, Mr Tse was Director of American International Group, Inc. (AIG) and from 2001 until June 2009, he was Senior Vice Chairman – Life Insurance of AIG. From 2000 until June 2009, he was also Chairman and Chief Executive Officer of American International Assurance Company, Limited. Mr Tse has held various senior positions and directorships in other AIG companies. Mr Tse is a Non-Executive Director of PICC Property and Casualty Company Limited. Mr Tse is also the Non-Executive Chairman for Asia ex-Japan of PineBridge Investments Asia Limited which is an asset management company owned indirectly by Mr Li Tzar Kai, Richard, the Chairman of PCCW.

* Subsequent to the date of this report, Mr Tse ceased to be the Chairman effective August 18, 2011.

Mr Tse was awarded the Gold Bauhinia Star (GBS) by the Government of the Hong Kong Special Administrative Region (HKSAR) in 2001 in recognition of his outstanding efforts in respect of the development of Hong Kong's insurance industry. Mr Tse graduated with a Bachelor of Arts degree in Mathematics from The University of Hong Kong (HKU) in 1960. HKU conferred an Honorary Fellowship and an Honorary Doctorate Degree in Social Sciences on Mr Tse in 1998 and 2002 respectively. He also obtained diplomas from the College of Insurance and the Graduate School of Business of Stanford University. He has extensive management experience in the insurance market, both in Asia and globally. In 2003, Mr Tse was elected to the Insurance Hall of Fame, and is so far the only Chinese to receive this most prestigious award in the global insurance industry. Mr Tse serves many community and professional organizations as well as educational institutions. He is also a Director and President of AIA Foundation, which supports charitable causes in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor CHANG Hsin-kang, FREng, GBS, JP
Independent Non-Executive Director
Professor Chang, aged 71, was appointed a Director of PCCW in October 2000. He is a member of the Audit Committee and the Regulatory Compliance Committee of the Board.

Professor Chang became a Tsinghua University (Honorary Professor and) Wei Lun Senior Visiting Scholar in September 2007, and (Honorary Professor and) Yeh-Lu Xun Chair Professor at Peking University in February 2008. He was President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he was Dean of the School of Engineering at the University of Pittsburgh in the United States from 1994 to 1996, Founding Dean of the School of Engineering at Hong Kong University of Science and Technology from 1990 to 1994 and Chairperson of the Department of Biomedical Engineering at the University of Southern California in the United States from 1985 to 1990.

Professor Chang serves as a member of the National Committee of the Chinese People's Political Consultative Conference. He is a Foreign Member of the Royal Academy of Engineering of the United Kingdom, a Member of International Eurasian Academy of Sciences; and Chevalier dans l'Ordre National de la Lègion d'Honneur as well as Commandeur dans l'Ordre des Palmes Acadèmiques of France. He was appointed Justice of the Peace in July 1999 and awarded the Gold Bauhinia Star by the Hong Kong Government in July 2002.

He obtained his bachelor's degree in civil engineering from the National Taiwan University, a master's degree in structural engineering from Stanford University in the United States and a doctorate in fluid mechanics and biomedical engineering from Northwestern University in the United States.

Professor Chang is an Independent Non-Executive Director of Hon Kwok Land Investment Company, Limited, Brightoil Petroleum (Holdings) Limited and Nanyang Commercial Bank, Limited.

Dr the Hon Sir David LI Kwok Po, GBM, GBS, OBE, JP
Independent Non-Executive Director
Sir David, aged 72, was appointed a Director of PCCW in October 2000. He was previously a Non-Executive Deputy Chairman of the former Hong Kong-listed Cable & Wireless HKT Limited and served as a Director from November 1987 to August 2000. He is a member of the Audit Committee, Remuneration Committee, Nomination Committee and Regulatory Compliance Committee of the Board.

Sir David is Chairman and Chief Executive of The Bank of East Asia, Limited. He is also a Director of China Overseas Land & Investment Limited, COSCO Pacific Limited, CaixaBank, S.A. (formerly known as Criteria CaixaCorp, S.A.), Guangdong Investment Limited, The Hong Kong and China Gas Company Limited, The Hongkong and Shanghai Hotels, Limited, Hong Kong Interbank Clearing Limited, The Hong Kong Mortgage Corporation Limited, San Miguel Brewery Hong Kong Limited, SCMP Group Limited, Vitasoy International Holdings Limited and AFFIN Holdings Berhad. He was a director of China Merchants China Direct Investments Limited.

Sir David is a member of the Legislative Council of Hong Kong. He is Chairman of The Chinese Banks' Association, Limited and The Hong Kong Management Association. Sir David is also a member of the Banking Advisory Committee, a member of the Council of the Treasury Markets Association and a member of the international advisory board of Crédit Agricole S.A.

Sir Roger LOBO, CBE, LLD, JP
Independent Non-Executive Director

Sir Roger, aged 87, was appointed a Director of PCCW in August 1999. He is Chairman of the Regulatory Compliance Committee and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Board.

He is also a Director of several organizations, including Shun Tak Holdings Limited, Johnson & Johnson (HK) Ltd., Kjeldsen & Co. (HK) Ltd., Pictet (Asia) Limited and Melco International Development Limited.

Sir Roger's extensive record of public service includes membership of the Hong Kong Housing Authority, the Urban Council, the Executive Council and serving as a senior member of the Legislative Council. Sir Roger served as Commissioner of the Civil Aid Service, Chairman of the Hong Kong Broadcasting Authority, Chairman of the Advisory Committee on Post-retirement Employment and also served as Advisory Committee Chairman, Complaints Committee Member and Corruption Prevention Advisory Committee Member of Independent Commission Against Corruption.

He currently serves as Chairman (Board of Trustees) of the Vision 2047 Foundation, Vice Patron of the Community Chest of Hong Kong, the Society of Rehabilitation and Crime Prevention, Hong Kong and as Advisory Board Member of the Hong Kong Aids Foundation.

Sir Roger has received several awards and honors from the British Crown and the Vatican.

Aman MEHTA
Independent Non-Executive Director

Mr Mehta, aged 64, became an Independent Non-Executive Director of PCCW in February 2004 and is Chairman of the Audit Committee and the Nomination Committee of the Board.

He joined the Board following a distinguished career in the international banking community. Mr Mehta held the position of Chief Executive Officer of The Hongkong and Shanghai Banking Corporation Limited (HSBC) until December 2003, when he retired.

Born in India in 1946, Mr Mehta joined HSBC group in Bombay in 1967. After a number of assignments throughout HSBC group, he was appointed Manager – Corporate Planning at HSBC's headquarters in Hong Kong in 1985. After a three-year posting to Riyadh in Saudi Arabia, he was appointed Group General Manager in 1991, and General Manager – International the following year, with responsibility for overseas subsidiaries. He subsequently held senior positions in the United States, overseeing HSBC group companies in the Americas and later becoming responsible for HSBC's operations in the Middle East.

In 1998, Mr Mehta was reappointed General Manager – International, after which he became Executive Director International. In 1999, he was appointed Chief Executive Officer, a position he held until retirement.

Following his retirement in December 2003, Mr Mehta took up residence in New Delhi. He is an Independent Director on the board of several public companies and institutions in India and internationally. He is an Independent Non-Executive Director of Vedanta Resources Plc. in the United Kingdom, Tata Consultancy Services Limited, Godrej Consumer Products Limited, Jet Airways (India) Ltd. and Wockhardt Limited in Mumbai, India; Max India Limited and Cairn India Limited in New Delhi, India. He is also an Independent Director on the Supervisory Board of ING Groep N.V., a Netherlands company.

Mr Mehta is also a member of the Governing Board of Indian School of Business, Hyderabad, and a member of the Advisory Panel of Prudential Financial Inc. in the United States.

The Hon Raymond George Hardenbergh SEITZ
Independent Non-Executive Director

Mr Seitz, aged 70, is an Independent Non-Executive Director of PCCW. He is Chairman of the Remuneration Committee and a member of the Nomination Committee of the Board. He was a Non-Executive Director of PCCW from October 2000 and was re-designated as an Independent Non-Executive Director in February 2005.

Mr Seitz was Vice-Chairman of Lehman Brothers International from April 1995 to April 2003 and was United States Ambassador to Great Britain from 1991 to 1994. Prior to that, Mr Seitz acted as the United States Assistant Secretary of State for Europe from 1989 to 1991 and Minister at the United States Embassy in London from 1984 to 1989. He was Non-Executive Chairman and a member of the Special Committee of Sun-Times Media Group, Inc. from July 2003 to January 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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
- Declared interim dividend of 5.3 HK cents per share

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.

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.

FINANCIAL REVIEW BY SEGMENTS

For the six months ended HK$ million	June 30, 2010	December 31, 2010	**June 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]

	June 30, 2010	December 31, 2010	**June 30, 2011**	Better/(Worse) y-o-y	Better/(Worse) 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)	1,298	1,367	**1,437**	11%	5%
(Consumer, business and wholesale customers)					
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	June 30, 2010	December 31, 2010	**June 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	June 30, 2010	December 31, 2010	**June 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	June 30, 2010	December 31, 2010	**June 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	June 30, 2010	December 31, 2010	**June 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	June 30, 2010	December 31, 2010	**June 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 December 31, 2010 (Audited)	**As at June 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.

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**
Earnings per share	7		
Basic		11.30 cents	**11.33 cents**
Diluted		11.30 cents	**11.33 cents**

The notes on pages 26 to 35 form an integral part of this unaudited condensed consolidated interim financial information. Details of dividend payable to equity holders of the Company attributable to the profit for the period are set out in note 6.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2011

In HK$ million	2010 (Unaudited)	**2011 (Unaudited)**
Profit for the period	853	**883**
Other comprehensive income		
Exchange differences on translating foreign operations	67	**219**
Available-for-sale financial assets:		
– changes in fair value	12	**100**
Cash flow hedges:		
– effective portion of changes in fair value	91	**(34)**
– transfer from equity to income statement	(74)	**(29)**
Other comprehensive income for the period	96	**256**
Total comprehensive income for the period	949	**1,139**
Attributable to:		
Equity holders of the Company	835	**1,035**
Non-controlling interests	114	**104**
	949	**1,139**

The notes on pages 26 to 35 form an integral part of this unaudited condensed consolidated interim financial information.

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**

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	10	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**

The notes on pages 26 to 35 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2011

In HK$ million											The Group 2010 (Unaudited)			The Company 2010 (Unaudited)
	Attributable to equity holders of the Company											Non-controlling interests	Total equity	Total equity
	Share capital	Share premium	Special capital reserve	Capital redemption reserve	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Available-for-sale financial assets reserve	Accumulated losses	Total			
At January 1, 2010	1,693	7,989	12,401	3	(18)	96	577	266	66	(28,518)	(5,445)	3,420	(2,025)	28,623
Total comprehensive income for the period	–	–	–	–	–	–	41	17	12	765	835	114	949	1,951
Dividend paid in respect of the previous year	–	–	(901)	–	–	–	–	–	–	–	(901)	–	(901)	(901)
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(1,264)	(1,264)	–
	–	–	(901)	–	–	–	–	–	–	–	(901)	(1,264)	(2,165)	(901)
At June 30, 2010	1,693	7,989	11,500	3	(18)	96	618	283	78	(27,753)	(5,511)	2,270	(3,241)	29,673

In HK$ million												**The Group 2011 (Unaudited)**			**The Company 2011 (Unaudited)**
	Attributable to equity holders of the Company												**Non-controlling interests**	**Total equity**	**Total equity**
	Share capital	**Share premium**	**Special capital reserve**	**Capital redemption reserve**	**Treasury stock**	**Employee share-based compensation reserve**	**Currency translation reserve**	**Hedging reserve**	**Available-for-sale financial assets reserve**	**Other reserve**	**Accumulated losses**	**Total**			
At January 1, 2011	**1,818**	**9,143**	**11,130**	**3**	**(18)**	**96**	**909**	**196**	**83**	**(31)**	**(26,592)**	**(3,263)**	**2,655**	**(608)**	**30,580**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**175**	**(63)**	**100**	**(1)**	**824**	**1,035**	**104**	**1,139**	**141**
Dividend paid in respect of the previous year	**–**	**–**	**(742)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(742)**	**–**	**(742)**	**(742)**
Dividend paid to non-controlling shareholders of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(35)**	**(35)**	**–**
	–	**–**	**(742)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(742)**	**(35)**	**(777)**	**(742)**
At June 30, 2011	**1,818**	**9,143**	**10,388**	**3**	**(18)**	**96**	**1,084**	**133**	**183**	**(32)**	**(25,768)**	**(2,970)**	**2,724**	**(246)**	**29,979**

The notes on pages 26 to 35 form an integral part of this unaudited condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2011

In HK$ million	2010 (Unaudited)	**2011 (Unaudited)**
Net cash generated from operating activities	2,466	**3,345**
Net cash used in investing activities	(1,087)	**(1,812)**
Net cash used in financing activities	(5,491)	**(1,499)**
Net (decrease)/increase in cash and cash equivalents	(4,112)	**34**
Exchange differences	15	**9**
Cash and cash equivalents at January 1,	8,049	**8,101**
Cash and cash equivalents at June 30,	3,952	**8,144**
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	5,770	**10,085**
Bank overdrafts	(9)	**(8)**
Less: Restricted cash	(1,809)	**(1,933)**
	3,952	**8,144**

The notes on pages 26 to 35 form an integral part of this unaudited condensed consolidated interim financial information. Please refer to note 14(c) for details of non-cash transactions with a related party during the period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2011

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 16. 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.

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 completed certain transactions with a jointly controlled company, details of which are set out in note 14(c).

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.

2 SEGMENT INFORMATION *(CONTINUED)*

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.

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

In HK$ million	For the six months ended June 30, 2010 (Unaudited)							
	TSS	Mobile	TV & Content	PCCW Solutions	PCPD	Other Businesses	Eliminations	Consolidated
REVENUE								
External revenue	8,118	838	919	859	1,042	26	–	11,802
Inter-segment revenue	203	–	260	228	28	–	(719)	–
Total revenue	8,321	838	1,179	1,087	1,070	26	(719)	11,802
RESULTS								
EBITDA	3,398	152	43	100	353	(324)	–	3,722

In HK$ million	**For the six months ended June 30, 2011 (Unaudited)**							
	TSS	**Mobile**	**TV & Content**	**PCCW Solutions**	**PCPD**	**Other Businesses**	**Eliminations**	**Consolidated**
REVENUE								
External revenue	**8,366**	**905**	**747**	**879**	**1,243**	**46**	**–**	**12,186**
Inter-segment revenue	**215**	**14**	**442**	**225**	**7**	**–**	**(903)**	**–**
Total revenue	**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)	**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 *(note 14 (c))*	–	**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)	**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)	Six months ended 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)	Six months ended 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 SHARE CAPITAL

	Number of shares (Unaudited)	Nominal value (Unaudited) HK$ million
Authorized: Ordinary shares of HK$0.25 each	**10,000,000,000**	**2,500**
Issued and fully paid: Ordinary shares of HK$0.25 each Balances as at January 1, 2011 and June 30, 2011	**7,272,294,654**	**1,818**

11 CAPITAL COMMITMENTS

In HK$ million	As at December 31, 2010 (Audited)	As at **June 30, 2011 (Unaudited)**
Authorized and contracted for	1,075	**1,332**
Authorized but not contracted for	1,007	**1,144**
	2,082	**2,476**

12 CONTINGENT LIABILITIES

In HK$ million	As at December 31, 2010 (Audited)	As at **June 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.

13 CHARGE ON ASSETS

Security pledged for certain banking facilities includes:

In HK$ million	As at December 31, 2010 (Audited)	As at **June 30, 2011 (Unaudited)**
Property, plant and equipment	72	**69**
Investment properties	5,074	**5,190**
Trade receivables	44	**36**
Bank deposits	3	**1**
	5,193	**5,296**

14 RELATED PARTY TRANSACTIONS

During the period, the Group had the following significant transactions with related parties:

In HK$ million	Note(s)	Six months ended June 30, 2010 (Unaudited)	Six months ended **June 30, 2011 (Unaudited)**
Telecommunications service fees and facility management service charges received or receivable from a jointly controlled company	a	37	**33**
Telecommunications service fees and systems integration charges received or receivable from a substantial shareholder	a	140	**103**
Telecommunications service fees, outsourcing fees and rental charges paid or payable to a jointly controlled company	a & c	239	**192**
Telecommunications service fees and facility management service charges paid or payable to a substantial shareholder	a	56	**85**
Key management compensation	b	44	**51**

In addition to the above, a jointly controlled company of a subsidiary (the "JV") issued to the Group a credit note in the amount of approximately HK$491 million in settlement of the Group's claims against the JV. Accordingly, the Group recorded credits to revenue, costs of sales and operating expenses in the amounts of approximately HK$368 million, HK$97 million and HK$26 million, respectively.

a. These transactions were carried out after negotiations between the Group and the related parties in the ordinary course of business and on the basis of estimated market value as determined by the directors. In respect of transactions for which the price or volume has not yet been agreed with the relevant related parties, the directors have determined the relevant amounts based on their best estimation.

b. Details of key management compensation

In HK$ million	Six months ended June 30, 2010 (Unaudited)	Six months ended **June 30, 2011 (Unaudited)**
Salaries and other short-term employee benefits	43	**50**
Post-employment benefits	1	**1**
	44	**51**

14 RELATED PARTY TRANSACTIONS *(CONTINUED)*

c. Details of transactions with the JV

During the six months ended June 30, 2011, the Group, Telstra Corporation Limited ("Telstra") and 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.

15 BUSINESS COMBINATIONS

a. No business combination transaction occurred for the six months ended June 30, 2011.

b. Prior period

In May 2010, the Group acquired 100 per cent interest in 802 Global Limited (now known as 802 Limited) and 802 Limited (later renamed as 802 Global Limited and now known as UKB Solutions Limited, and hereinafter "UKB Solutions"), companies incorporated in the United Kingdom and principally engaged in the supply, design and distribution of wireless network solutions. The Group paid in cash for acquisition totaling approximately HK$34 million and may be required to make additional cash payments totaling up to approximately HK$41 million if the acquired businesses achieve certain financial milestones within a specified period. The fair value of the contingent consideration is estimated at approximately HK$26 million and has been included in the purchase price of 802 Limited and UKB Solutions.

The Group is required to recognize the acquirees' identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date. The initial accounting for the acquisition of 802 Limited and UKB Solutions is complete as at June 30, 2011, and the fair values of the acquirees' identifiable assets, liabilities and contingent liabilities are concluded to be the same as their carrying amounts as at the acquisition date. As a result, no adjustment to the provisional amounts and goodwill for the period ended June 30, 2010 are required.

Details of net assets acquired and goodwill in respect of acquisitions of the wireless network solution operations at the acquisition date were as follows:

In HK$ million	**Net assets acquired and goodwill (Unaudited)**
Purchase consideration in cash	**34**
Contingent consideration payable	**26**
Purchase consideration	**60**
Less: Fair value of net assets acquired	**(5)**
Goodwill on acquisition	**55**

The goodwill is attributable to future profit generated from the wireless network solution operations.

15 BUSINESS COMBINATIONS *(CONTINUED)*

b. Prior period *(continued)*

The carrying amounts and respective fair values, of assets and liabilities of the wireless network solution operations at the acquisition date were as follows:

In HK$ million	Fair value (Unaudited)	Carrying amount (Unaudited)
Property, plant and equipment	1	1
Intangible assets	2	2
Trade receivables, prepayments, deposits and other current assets	35	35
Inventories	6	6
Trade payables, accruals and other payables	(33)	(33)
Short-term borrowings	(6)	(6)
Net assets acquired	5	5

In HK$ million	Net cash outflow (Unaudited)
Purchase consideration settled in cash	(34)
Cash and cash equivalents of wireless network solution operations acquired	–
Cash outflow on acquisition of wireless network solution operations	(34)

i. Acquisition-related costs

Acquisition-related costs of HK$2 million are included in the consolidated income statement for the period ended June 30, 2010.

ii. Revenue and profit contribution

The acquired business contributed revenue of HK$6 million and incurred a net loss of HK$1 million to the Group for the period from the date of acquisition to June 30, 2010. If the acquisition had occurred on January 1, 2010, the acquired business's revenue and net loss for the period ended June 30, 2010 would have been HK$23 million and HK$1 million, respectively.

16 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.

GENERAL INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at June 30, 2011, the directors and chief executives of the Company and their associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

1. Interests in the Company

The table below sets out the aggregate long positions in the shares and underlying shares of the Company held by the directors and chief executives of the Company:

Name of Director/ Chief Executive	Number of ordinary shares: Personal interests	Number of ordinary shares: Family interests	Number of ordinary shares: Corporate interests	Number of ordinary shares: Other interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital
Li Tzar Kai, Richard	–	–	271,666,824 *(Note 1(a))*	1,724,036,335 *(Note 1(b))*	–	1,995,703,159	27.44%
Alexander Anthony Arena *(Note 3)*	760,000	–	–	–	6,400,200 *(Note 2)*	7,160,200	0.10%
Peter Anthony Allen	253,200	–	–	–	2,000,000 *(Note 4)*	2,253,200	0.03%
Lee Chi Hong, Robert	992,600 *(Note 5(a))*	511 *(Note 5(b))*	–	–	5,000,000 *(Note 4)*	5,993,111	0.08%
Sir David Ford	–	–	–	–	1,000,000 *(Note 4)*	1,000,000	0.01%
Chung Cho Yee, Mico	1,176,260	18,455 *(Note 6)*	–	–	5,695,200 *(Note 4)*	6,889,915	0.09%
Tse Sze Wing, Edmund	–	140,000 *(Note 7(a))*	200,000 *(Note 7(b))*	–	–	340,000	0.005%
Professor Chang Hsin-kang	64,000	–	–	–	–	64,000	0.001%
Dr the Hon Sir David Li Kwok Po	1,000,000	–	–	–	–	1,000,000	0.01%

Notes:

1. (a) Of these shares, Pacific Century Diversified Limited, a wholly-owned subsidiary of Chiltonlink Limited, held 237,919,824 shares and Eisner Investments Limited held 33,747,000 shares. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink Limited and Eisner Investments Limited.

   (b) These interests represented:

      (i) a deemed interest in 36,726,857 shares of the Company held by Yue Shun Limited, a subsidiary of Hutchison Whampoa Limited ("HWL"). Cheung Kong (Holdings) Limited ("Cheung Kong") through certain subsidiaries held more than one-third of the issued share capital of HWL. Li Tzar Kai, Richard was a discretionary beneficiary of certain discretionary trusts which held units in unit trusts which in turn held interests in certain shares of Cheung Kong and HWL. Li Tzar Kai, Richard was also interested in one-third of the issued share capital of two companies, which owned all the shares of the trustee companies which acted as trustees of such discretionary trusts and unit trusts. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 36,726,857 shares of the Company held by Yue Shun Limited;

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(CONTINUED)*

1. Interests in the Company *(continued)*

Notes: *(continued)*

1. (b) *(continued)*

(ii) a deemed interest in 138,817,177 shares of the Company held by Pacific Century Group Holdings Limited ("PCGH"). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 138,817,177 shares of the Company held by PCGH;

(iii) a deemed interest in 1,548,211,301 shares of the Company held by Pacific Century Regional Developments Limited ("PCRD"), a company in which PCGH had, through certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 75.74% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Li Tzar Kai, Richard was also deemed to be interested in 0.91% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,548,211,301 shares of the Company held by PCRD; and

(iv) a deemed interest in 281,000 shares of the Company held by PineBridge Investments LLC ("PBI LLC") in the capacity as investment manager. PBI LLC was an indirect subsidiary of Chiltonlink Limited and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink Limited. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 281,000 shares of the Company held by PBI LLC.

2. These interests represented Alexander Anthony Arena's beneficial interest in: (a) 200 underlying shares held in the form of 20 American Depositary Receipts which constituted listed equity derivatives; and (b) 6,400,000 underlying shares in respect of share options granted by the Company to Alexander Anthony Arena as beneficial owner, the details of which are set out in the section below headed "**Share Option Schemes**".

3. As disclosed previously in the 2010 Annual Report of the Company, a private company owned by Li Tzar Kai, Richard has provided a seven year interest-free loan in the amount of US$10,000,000 to Alexander Anthony Arena at his request and for personal reasons. Alexander Anthony Arena has entered into a seven year consultancy agreement with another private company owned by Li Tzar Kai, Richard with an annual consultancy fee sufficient to repay the aforementioned loan over its seven year term. This private arrangement was reviewed by the Remuneration Committee prior to its finalization. The Committee noted that the consultancy services provided to the private company would be publicly disclosed, would not conflict with Alexander Anthony Arena's duties at PCCW and overall would be in the interests of PCCW.

4. These interests represented the interests in underlying shares in respect of share options granted by the Company to these directors as beneficial owners, the details of which are set out in the section below headed "**Share Option Schemes**".

5. (a) These shares were held jointly by Lee Chi Hong, Robert and his spouse.

   (b) These shares were held by the spouse of Lee Chi Hong, Robert.

6. These shares were held by the spouse of Chung Cho Yee, Mico.

7. (a) These shares were held by the spouse of Tse Sze Wing, Edmund.

   (b) These shares were held by Genpoint Investments Limited, which was 100% owned by Tse Sze Wing, Edmund.

2. Interests in Associated Corporations of the Company

A. PCCW-HKT Capital No.2 Limited

PineBridge Investments Asia Limited ("PBIA") in the capacity as investment manager held US$10,000,000 of 6% guaranteed notes due 2013 (the "Notes") issued by PCCW-HKT Capital No.2 Limited, an associated corporation of the Company. PBIA was an indirect subsidiary of Chiltonlink Limited and Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink Limited. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the amount of US$10,000,000 of the Notes held by PBIA.

B. Pacific Century Premium Developments Limited ("PCPD")

The table below sets out the long position in the shares and underlying shares of PCPD held by the director of the Company:

	Number of ordinary shares						
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital
Chung Cho Yee, Mico	–	–	–	–	5,000,000	5,000,000	0.21%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(CONTINUED)*

2. Interests in Associated Corporations of the Company *(continued)*

B. Pacific Century Premium Developments Limited ("PCPD") *(continued)*

The above interests represented the interests in underlying shares in respect of share options granted by PCPD to the director of the Company as beneficial owner pursuant to PCPD's share option scheme, the details of which are set out in the section below headed "**Share Option Schemes**".

Save as disclosed in the foregoing, none of the directors or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules as at June 30, 2011.

SHARE OPTION SCHEMES

1. Share Option Schemes of the Company

The Company adopted a share option scheme on September 20, 1994 (the "1994 Scheme"). At the annual general meeting of the Company held on May 19, 2004, the shareholders of the Company approved the termination of the 1994 Scheme and adoption of a new share option scheme (the "2004 Scheme"). Following the termination of the 1994 Scheme during 2004, no further share options will be granted under such scheme, but the provisions of such scheme will remain in full force and effect with respect to the options granted prior to its termination. Since May 19, 2004, the board of directors of the Company may, at its discretion, grant share options to any eligible person to subscribe for shares of the Company subject to the terms and conditions stipulated in the 2004 Scheme.

Details of the share options outstanding and movements during the six months ended June 30, 2011 are as follows:

A. 1994 Scheme

(1) Outstanding options at January 1, 2011 and at June 30, 2011

Name or category of participant	Date of grant *(Notes 1 & 2)*	Vesting period *(Note 1)*	Exercisable period *(Note 1)*	Exercise price HK$	Number of options Outstanding at 01.01.2011	Number of options Outstanding at 06.30.2011
Director/Chief Executive						
Alexander Anthony Arena	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	16.8400	1,600,000	–
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	6,400,000	6,400,000
Peter Anthony Allen	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	16.8400	178,600	–
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	2,000,000	2,000,000
Lee Chi Hong, Robert	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	5,000,000	5,000,000
Sir David Ford	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	1,000,000	1,000,000
Chung Cho Yee, Mico	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	16.8400	1,060,000	–
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	5,695,200	5,695,200

SHARE OPTION SCHEMES *(CONTINUED)*

1. Share Option Schemes of the Company *(continued)*

A. 1994 Scheme *(continued)*

(1) Outstanding options at January 1, 2011 and at June 30, 2011 *(continued)*

Name or category of participant	Date of grant *(Notes 1 & 2)*	Vesting period *(Note 1)*	Exercisable period *(Note 1)*	Exercise price HK$	Number of options Outstanding at 01.01.2011	Number of options Outstanding at 06.30.2011
Employees						
In aggregate	01.22.2001 to 02.20.2001	*(Note 3)*	*(Note 3)*	16.8400	4,852,959	–
	02.20.2001	02.08.2002 to 02.08.2004	02.08.2002 to 02.08.2011	18.7600	86,700	–
	04.17.2001 to 05.16.2001	*(Note 4)*	*(Note 4)*	10.3000	1,039,000	–
	07.16.2001 to 09.15.2001	07.16.2002 to 07.16.2004	07.16.2002 to 07.16.2011	9.1600	169,120	168,360
	05.10.2002	*(Note 5)*	04.11.2003 to 04.11.2012	7.9150	86,700	86,700
	08.01.2002	08.01.2003 to 08.01.2005	08.01.2003 to 07.31.2012	8.0600	200,000	200,000
	11.13.2002	11.13.2003 to 11.13.2005	11.13.2003 to 11.12.2012	6.1500	5,480,000	5,480,000
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	29,054,338	20,604,338
	09.16.2003	09.16.2004 to 09.16.2006	09.16.2004 to 09.14.2013	4.9000	7,000	7,000
Others	01.22.2001 to 02.20.2001	*(Note 3)*	*(Note 3)*	16.8400	2,800,000	–
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	1,000,000	1,000,000

(2) Options exercised during the six months ended June 30, 2011

During the period under review, no share options were exercised by any directors or chief executives of the Company, employees of the Group or other participants.

SHARE OPTION SCHEMES *(CONTINUED)*

1. Share Option Schemes of the Company *(continued)*

A. 1994 Scheme *(continued)*

(3) Options cancelled or lapsed during the six months ended June 30, 2011

Name or category of participant	Exercise price HK$	Number of options cancelled	Number of options lapsed
Director/Chief Executive			
Alexander Anthony Arena	16.8400	–	1,600,000
Peter Anthony Allen	16.8400	–	178,600
Chung Cho Yee, Mico	16.8400	–	1,060,000
Employees			
In aggregate	16.8400	–	4,852,959
	18.7600	–	86,700
	10.3000	–	1,039,000
	9.1600	–	760
	4.3500	–	8,450,000
Others	16.8400	–	2,800,000

B. 2004 Scheme

There were no outstanding share options as at January 1, 2011 and June 30, 2011. No share options were granted to or exercised by any directors or chief executives of the Company or employees of the Group or other participants nor cancelled or lapsed during the six months ended June 30, 2011.

2. Share Option Schemes of Subsidiary of the Company

PCPD

PCPD, an indirect non wholly-owned subsidiary of the Company, adopted a share option scheme on March 17, 2003 (the "2003 PCPD Scheme"), which was valid for 10 years after the date of adoption. In order to align the terms of the share option scheme of PCPD with those of the Company and in view of the limited number of shares capable of being issued under the 2003 PCPD Scheme relative to the current capital base of PCPD, the shareholders of PCPD approved the termination of the 2003 PCPD Scheme and the adoption of a new share option scheme (the "2005 PCPD Scheme") at PCPD's annual general meeting held on May 13, 2005. The 2005 PCPD Scheme became effective on May 23, 2005 following its approval by the shareholders of the Company. No further share options will be granted under the 2003 PCPD Scheme following its termination, but the provisions of such scheme will remain in full force and effect with respect to the options granted prior to its termination. The board of directors of PCPD may, at its discretion, grant share options to any eligible person to subscribe for shares of PCPD subject to the terms and conditions stipulated in the 2005 PCPD Scheme.

SHARE OPTION SCHEMES *(CONTINUED)*

2. Share Option Schemes of Subsidiary of the Company *(continued)*

PCPD *(continued)*

Details of the share options outstanding under the 2003 PCPD Scheme and movements during the six months ended June 30, 2011 are as follows:

2003 PCPD Scheme

(1) Outstanding options at January 1, 2011 and at June 30, 2011

Name or category of participant	Date of grant *(Note 1)*	Vesting period *(Note 1)*	Exercisable period *(Note 1)*	Exercise price HK$	Number of options Outstanding at 01.01.2011	Number of options Outstanding at 06.30.2011
Director of the Company						
Chung Cho Yee, Mico	12.20.2004	Fully vested on 12.20.2004	12.20.2004 to 12.19.2014	2.375	5,000,000	5,000,000

As at June 30, 2011, the total number of shares of PCPD that may be issued upon exercise of all share options granted and yet to be exercised under the 2003 PCPD Scheme was 5,000,000, which represented approximately 0.21% of the issued share capital of PCPD as at that date.

(2) Options granted during the six months ended June 30, 2011

During the period under review, no share options were granted to any directors or chief executives of the Company or other participants under the 2003 PCPD Scheme.

(3) Options exercised during the six months ended June 30, 2011

During the period under review, no share options were exercised by any directors or chief executives of the Company.

(4) Options cancelled or lapsed during the six months ended June 30, 2011

During the period under review, no share options were cancelled or lapsed.

2005 PCPD Scheme

No share options have been granted under the 2005 PCPD Scheme since its adoption.

Notes:

1. All dates are shown month/day/year.

2. Due to the large number of employees participating in the 1994 Scheme, certain information such as the date of grant can only be shown within a reasonable range in this section headed "**Share Option Schemes**". For options granted to employees, the options were granted, where applicable, during the underlying periods for acceptance of the offer of such options by the employees concerned.

3. These options vest in installments during a period starting from: (i) dates ranging between the date of grant to August 26, 2001 and ending on dates ranging between December 7, 2002 to August 26, 2005 inclusive; (ii) the first anniversary of the offer date (the "Offer Date") and ending on the third anniversary of the Offer Date inclusive; or (iii) the first anniversary of the Offer Date and ending on the fifth anniversary of the Offer Date inclusive. All these options are exercisable in installments from the commencement of the relevant vesting period until the tenth anniversary of the Offer Date.

4. These options vest in installments during a period starting from: (i) May 26, 2001 and ending on May 26, 2005 inclusive; (ii) the first anniversary of the Offer Date and ending on the third anniversary of the Offer Date inclusive; or (iii) the first anniversary of the Offer Date and ending on the fifth anniversary of the Offer Date inclusive. All these options are exercisable in installments from the commencement of the relevant vesting period until the tenth anniversary of the Offer Date.

5. These options vest in installments during a period starting from the first anniversary of the Offer Date and ending on the third anniversary of the Offer Date inclusive.

SHARE AWARD SCHEMES

In 2002, the Company established two employee share incentive award schemes, namely the Purchase Scheme and the Subscription Scheme, under which employees of participating subsidiaries of the Company (excluding directors of the Company) may be selected to participate in such schemes. Subject to the relevant scheme rules, each scheme provides that following the making of an award to an employee, the relevant shares are held in trust for that employee and then shall vest over a period of time provided that the employee remains an employee of the applicable subsidiary of the Company at the relevant time and satisfies any other conditions specified at the time the award is made. In May 2006, the rules of the Purchase Scheme were altered such that the directors of the Company are also eligible to participate in such scheme. During the six months ended June 30, 2011, no awards have been made to any directors and employees of the Company or its subsidiaries under these two schemes.

Save as disclosed above, at no time during the period under review was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement that may enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors or chief executives of the Company or their spouses or children under 18 years of age had any right to subscribe for equity or debt securities of the Company or any of its associated corporations or had exercised any such right during the period under review.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at June 30, 2011, the following persons (other than any directors or chief executives of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) and had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	*Note*	Number of shares/underlying shares held	Approximate percentage of issued share capital
Interests			
PCRD		1,548,211,301	21.29%
PCGH	*1*	1,687,028,478	23.20%
Star Ocean Ultimate Limited	*2*	1,687,028,478	23.20%
The Ocean Trust	*2*	1,687,028,478	23.20%
The Starlite Trust	*2*	1,687,028,478	23.20%
OS Holdings Limited	*2*	1,687,028,478	23.20%
Ocean Star Management Limited	*2*	1,687,028,478	23.20%
The Ocean Unit Trust	*2*	1,687,028,478	23.20%
The Starlite Unit Trust	*2*	1,687,028,478	23.20%
China United Network Communications Group Company Limited ("Unicom")	*3*	1,343,571,766	18.48%

Notes:

1. These interests represented (i) PCGH's beneficial interests in 138,817,177 shares; and (ii) PCGH's interests through its controlled corporations (being its wholly-owned subsidiaries, Borsington Limited, Pacific Century International Limited, Pacific Century Group (Cayman Islands) Limited and Anglang Investments Limited, which together controlled 75.74% of PCRD) in 1,548,211,301 shares held by PCRD.

2. On April 18, 2004, Li Tzar Kai, Richard transferred the entire issued share capital of PCGH to Ocean Star Management Limited as trustee of The Ocean Unit Trust and The Starlite Unit Trust. The entire issued share capital of Ocean Star Management Limited was held by OS Holdings Limited. The Ocean Trust and The Starlite Trust held all units of The Ocean Unit Trust and The Starlite Unit Trust respectively. Star Ocean Ultimate Limited was the discretionary trustee of The Ocean Trust and The Starlite Trust.

3. Unicom indirectly held these interests through its indirect wholly-owned subsidiary, China Netcom Corporation (BVI) Limited.

INTERESTS AND SHORT POSITIONS OF OTHER PERSONS REQUIRED TO BE DISCLOSED UNDER THE SFO

As at June 30, 2011, the following person (not being the director or chief executive or substantial shareholder (as disclosed in the previous section headed "**Interests and Short Positions of Substantial Shareholders**") of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name		Number of shares/underlying shares held	Approximate percentage of issued share capital
Interests			
Ocean Star Investment Management Limited	*Note*	1,687,028,478	23.20%

Note:
Ocean Star Investment Management Limited was deemed interested under the SFO in the shares of the Company by virtue of it being the investment manager of The Ocean Unit Trust and The Starlite Unit Trust which together held 100% of PCGH (see the notes of the previous section headed "**Interests and Short Positions of Substantial Shareholders**").

Save as disclosed above in this section and the previous section headed "**Interests and Short Positions of Substantial Shareholders**", the Company had not been notified of any other persons (other than any directors or chief executives of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at June 30, 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.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has established its own code of conduct regarding securities transactions by directors, senior management and relevant employees as defined in the PCCW Code of Conduct for Securities Transactions by Directors, Senior Management and Nominated Persons (the "PCCW Code") in terms no less exacting than the required standard indicated by the Model Code. Having made specific inquiries of all directors of the Company, confirmations have been received of compliance with the required standard set out in the Model Code and the PCCW Code during the accounting period covered by this interim report.

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 Listing Rules for the six months ended June 30, 2011.

INVESTOR RELATIONS

FINANCIAL CALENDAR

Announcement of 2011 Interim Results	August 12, 2011
Closure of register of members	September 16-21, 2011 (both days inclusive)
Payment of 2011 interim dividend	On or around October 7, 2011
Announcement of 2011 Annual Results	February 2012

DIRECTORS

The directors of the Company as at the date of the announcement of the 2011 Interim Results are:

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

Non-Executive Directors:
Sir David Ford, KBE, LVO
Lu Yimin
Zuo Xunsheng *(Deputy Chairman)*
Li Fushen
Chung Cho Yee, Mico
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
The Hon. Raymond George Hardenbergh Seitz

INTERIM REPORT 2011

This Interim Report 2011 in both English and Chinese is now available in printed form from the Company and the Company's Share Registrars, and in accessible format on the websites of the Company (www.pccw.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Shareholders who:
A) received the Interim Report 2011 by electronic means may request a printed copy, or
B) received the Interim Report 2011 in either English or Chinese may request a printed copy of the other language version

by writing to the Company c/o the Company's Share Registrars at:

Computershare Hong Kong Investor Services Limited
Investor Communications Centre
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Fax: +852 2529 6087/+852 2865 0990
Email: pccw@computershare.com.hk

Shareholders who have chosen to receive the Interim Report 2011 by electronic means through the Company's website and who, for any reason, have difficulty in receiving or gaining access to the Interim Report 2011 will promptly, upon request in writing or by email to the Company's Share Registrars – Computershare Hong Kong Investor Services Limited, be sent the Interim Report 2011 in printed form, free of charge.

Shareholders may change their choice of language or means of receipt of the Company's future corporate communications at any time, free of charge, by reasonable prior notice in writing or by email to the Company's Share Registrars.

LISTINGS

The Company's shares are listed on The Stock Exchange of Hong Kong Limited and traded in the form of American Depositary Receipts ("ADRs") on the OTC Markets Group Inc. in the United States. Each ADR represents 10 ordinary shares of the Company. Certain United States Dollar guaranteed notes issued by wholly-owned subsidiaries of the Company are listed on the Luxembourg Stock Exchange and the Singapore Exchange Securities Trading Limited.

Additional information and specific inquiries concerning the Company's ADRs should be directed to the Company's ADR Depositary at the address given on this page.

Other inquiries regarding the Company should be addressed to Investor Relations at the address given on this page.

STOCK CODES

The Stock Exchange of Hong Kong Limited	0008
Reuters	0008.HK
Bloomberg	8 HK
ADRs	PCCWY

SHARE INFORMATION

Board lot:	1,000 shares
Issued shares as at June 30, 2011:	7,272,294,654 shares

DIVIDEND

Interim dividend per share for the six months ended June 30, 2011:
5.30 HK cents per ordinary share

REGISTRARS

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Telephone: +852 2862 8555 Fax: +852 2529 6087
Email: hkinfo@computershare.com.hk

ADR DEPOSITARY

Citibank, N.A.
PCCW American Depositary Receipts
Citibank Shareholder Services
250 Royall Street, Canton, MA 02021, USA
Toll free number: +1 877 248 4237
Telephone: +1 781 575 4555
Email: citibank@shareholders-online.com
Website: www.citi.com/dr

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

Philana WY Poon

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WEBSITE

www.pccw.com

FORWARD-LOOKING STATEMENTS

This interim report contains 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 about the business and the industry and markets in which we operate.

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. Consequently, actual results could differ materially from those expressed, implied or forecasted in the forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include:

- increased competition in the Hong Kong telecommunications market;
- possible negative effects of potentially new regulatory developments or decisions;
- our ability to implement our business plan as a consequence of our substantial debt and high net current liabilities;
- our exposure to interest rate risk;
- increased competition in the Hong Kong television market;
- our ability to obtain additional capital;
- our ability to execute our business strategy, including our ability to enter into business combinations and restructuring, strategic investments and acquisitions and disposals; and
- technological changes and operating risks.

Reliance should not be placed on these forward-looking statements, which reflect the views of the directors and management of PCCW as at the date of this interim report only. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after publication of this interim report.

PCCW Limited (Incorporated in Hong Kong with limited liability)

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T : +852 2888 2888   F : +852 2877 8877   www.pccw.com

PCCW shares are listed on The Stock Exchange of Hong Kong Limited (SEHK: 0008)
and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the US (Ticker: PCCWY).

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