PCCW Limited
電訊盈科有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 0008)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2010

The Directors ("Directors") of PCCW Limited ("PCCW" or the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended June 30, 2010. This condensed consolidated interim financial information has not been audited, but has been reviewed by the Company's Audit Committee and, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by the Company's independent auditor, PricewaterhouseCoopers.

- Consolidated profit attributable to equity holders of the Company increased by 17% to HK$765 million. Basic earnings per share amounted to 11.30 HK cents
- Core revenue increased by 3% to HK$10,732 million; consolidated revenue including PCPD was HK$11,802 million, reflecting lower property development revenue recognized
- Core EBITDA increased by 3% to HK$3,369 million; consolidated EBITDA including PCPD increased by 4% to HK$3,722 million
- Declare interim dividend of 5.10 HK cents per share

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

MANAGEMENT REVIEW

PCCW's core business delivered a solid financial performance in the first half of 2010, with core revenue and core EBITDA registering satisfactory growth on the resilient results a year earlier. Increases in revenue in all core segments contributed to an overall 3% year-on-year increase in core revenue to HK$10,732 million for the six months ended June 30, 2010, while core EBITDA also increased by 3% year-on-year to HK$3,369 million.

PCPD revenue, comprising primarily property development revenue from the sales of ONE Pacific Heights and the Bel-Air project, was HK$1,070 million, compared with HK$2,306 million a year earlier when the sales revenue of a higher number of Bel-Air units was recognized. However, PCPD EBITDA increased by 15% year-on-year to HK$353 million due to higher gross profit achieved from the property development segment.

Consolidated revenue including PCPD for the six months ended June 30, 2010 was HK$11,802 million, compared with HK$12,774 million in the first half of 2009. Consolidated EBITDA including PCPD increased by 4% year-on-year to HK$3,722 million for the six months ended June 30, 2010.

Consolidated profit attributable to equity holders of the Company for the six months ended June 30, 2010 grew by 17% year-on-year to HK$765 million. Basic earnings per share increased to 11.30 HK cents.

The board of Directors (the "Board") has resolved to declare an interim dividend of 5.10 HK cents per share for the six months ended June 30, 2010.

OUTLOOK

The solid performance of the Group in the first half demonstrated our ability to operate effectively and efficiently at a time when the economy was still on its way to full recovery. We have also maintained our industry leadership position despite fierce competition.

We will continue to invest in the latest technology because innovation is one key to our success. We will ensure that our networks provide the most reliable connections with speeds that meet the needs of customers, including the rapidly growing appetite for faster mobile access.

In pursuing our business objectives, we have also exercised prudent cost control and tight financial management. We will continue to do so because the global economic recovery is in its early phase and contains risks and uncertainties.

As the sector's premier operator, PCCW will continue to focus on innovation, quality and providing value to our customers. This approach has been successful in difficult market conditions and it should continue to be successful should market conditions continue to improve as expected in the second half of 2010.

FINANCIAL REVIEW BY SEGMENTS

For the six months ended HK$ million	**Jun 30, 2010**	**Jun 30, 2009**	**Dec 31, 2009**	Better/ (Worse) y-o-y
Revenue				
TSS	8,321	8,241	8,051	1%
TV & Content	1,179	1,092	1,258	8%
Mobile	838	828	842	1%
PCCW Solutions	1,087	905	939	20%
Other Businesses	26	26	35	0%
Eliminations	(719)	(624)	(738)	(15)%
Core revenue	**10,732**	10,468	10,387	3%
PCPD	1,070	2,306	1,916	(54)%
Consolidated revenue	**11,802**	12,774	12,303	(8)%
Cost of sales	(5,484)	(6,431)	(5,823)	15%
Operating costs before depreciation, amortization and restructuring costs	(2,596)	(2,753)	(2,571)	6%
EBITDA[1]				
TSS	3,398	3,421	3,629	(1)%
TV & Content	43	(34)	38	NA
Mobile	152	130	135	17%
PCCW Solutions	100	82	127	22%
Other Businesses	(324)	(315)	(495)	(3)%
Core EBITDA[1]	**3,369**	3,284	3,434	3%
PCPD	353	306	475	15%
Consolidated EBITDA[1]	**3,722**	3,590	3,909	4%
Core EBITDA margin[1,2]	*31%*	*31%*	*33%*	*0%*
Consolidated EBITDA margin[1,2]	*32%*	*28%*	*32%*	*4%*
Depreciation and amortization	(1,883)	(1,889)	(1,891)	0%
Loss on disposal of, and losses on, property, plant and equipment	(2)	–	(61)	NA
Net other gains/(losses) and restructuring costs	33	(12)	255	NA
Interest income	9	12	6	(25)%
Finance costs	(806)	(748)	(737)	(8)%
Share of results of associates and jointly controlled companies	(13)	(31)	(24)	58%
Impairment losses reversed on interests in an associate	–	–	1	NA
Profit before income tax	**1,060**	922	1,458	15%

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

Note 2 *Year-on-year percentage change was based on absolute percentage change.*

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

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

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

OPERATING DRIVERS[3]	**Jun 30, 2010**	**Jun 30, 2009**	**Dec 31, 2009**	Better/ (Worse) y-o-y	h-o-h
Exchange lines in service ('000)	2,587	2,590	2,588	0%	0%
Business lines ('000)	1,180	1,183	1,182	0%	0%
Residential lines ('000)	1,407	1,407	1,406	0%	0%
Total broadband access lines ('000) (Consumer, business and wholesale customers)	1,298	1,305	1,297	(1)%	0%
Retail consumer broadband subscribers ('000)	1,148	1,136	1,146	1%	0%
Retail business broadband subscribers ('000)	114	113	114	1%	0%
Traditional data (Exit Gbps)	953	792	837	20%	14%
Retail IDD minutes ('M mins)	674	745	710	(10)%	(5)%
International Private Leased Circuit ("IPLC") bandwidth (Exit Mbps)	88,108	78,361	82,913	12%	6%
now TV installed base ('000)	1,028	992	1,001	4%	3%
Mobile subscribers ('000)	1,469	1,408	1,422	4%	3%
3G post-paid ('000)	606	470	529	29%	15%
2G post-paid ('000)	319	430	376	(26)%	(15)%
2G prepaid ('000)	544	508	517	7%	5%

Telecommunications Services ("TSS")

The table below sets out the financial performance of TSS for the six months ended June 30, 2010 and other relevant periods:

For the six months ended **HK$ million**	**Jun 30, 2010**	**Jun 30, 2009**	**Dec 31, 2009**	Better/ (Worse) y-o-y
Local Telephony Services	1,921	2,126	1,862	(10)%
Local Data Services	2,627	2,509	2,434	5%
International Telecommunications Services	1,851	1,807	1,871	2%
Other Services	1,922	1,799	1,884	7%
TSS revenue	**8,321**	8,241	8,051	1%
Cost of sales	(3,349)	(2,954)	(3,103)	(13)%
Operating costs before depreciation and amortization	(1,574)	(1,866)	(1,319)	16%
TSS EBITDA[1]	**3,398**	3,421	3,629	(1)%
TSS EBITDA margin[1,2]	***41%***	*42%*	*45%*	*(1)%*

TSS revenue for the six months ended June 30, 2010 increased slightly to HK$8,321 million, while EBITDA was mildly lower at HK$3,398 million compared with HK$3,421 million a year ago.

Local Telephony Services. Local telephony services revenue for the six months ended June 30, 2010 was HK$1,921 million, a moderate improvement from the immediately preceding period. It was lower than the revenue for the first half of 2009, when the reduction of fixed-mobile interconnection revenue that began in April 2009 had yet to make its full impact. Total fixed lines in service at the end of June 2010 held steady at 2,587,000, as more customers appreciated the innovative features of PCCW eye Multimedia Service and PCCW eye2.

Local Data Services. Local data services revenue, comprising broadband network revenue and local data revenue, increased by 5% year-on-year to HK$2,627 million for the six months ended June 30, 2010. Owing to our superior fiber network coverage and unique fixed/wireless broadband proposition, broadband network business registered a remarkable 7% year-on-year revenue growth despite fierce competition. Total broadband access lines also reported a net gain to 1,298,000 at the end of June 2010 from 1,297,000 at the end of 2009, when a new round of aggressive price offers by competitors hit the market.

International Telecommunications Services. International telecommunications services revenue for the six months ended June 30, 2010 increased by 2% year-on-year to HK$1,851 million. The improvement was driven by growth of wholesale voice and international connectivity services revenue amid the economic recovery.

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, 2010 increased by 7% year-on-year to HK$1,922 million, mainly because teleservices almost doubled its revenue following the acquisition of the call center operations in the Philippines and the Americas in the second half of 2009.

TV & Content

For the six months ended **HK$ million**	**Jun 30, 2010**	**Jun 30, 2009**	**Dec 31, 2009**	Better/ (Worse) y-o-y
TV & Content revenue	**1,179**	1,092	1,258	8%
TV & Content EBITDA[1]	**43**	(34)	38	NA

TV & Content maintained a healthy growth momentum in the first half of 2010, with revenue increasing by 8% year-on-year to HK$1,179 million for the six months ended June 30, 2010. The segment was bolstered by a larger now TV customer base and higher advertising revenue due to better market sentiment. Continuing its upward trend after breakeven in 2009, TV & Content EBITDA was HK$43 million for the six months ended June 30, 2010.

In November 2009, the Group decided that it would not be appropriate to acquire at an uneconomic price the broadcast rights to the Barclays Premier League for the three seasons commencing August 2010. Instead, now TV introduced a range of top football and other sports programs, as well as new entertainment and lifestyle channels. The prices for our Mega Sports Pack were also adjusted.

Our proposition to offer a variety of quality programs at excellent value enabled our installed base ARPU to remain relatively steady year-on-year at HK$169 at the end of June 2010, compared with HK$171 a year earlier. The installed subscriber base reached 1,028,000 at the end of June 2010, up by 4% from a year ago.

Mobile

For the six months ended HK$ million	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009	Better/ (Worse) y-o-y
Mobile revenue	**838**	828	842	1%
Mobile EBITDA[1]	**152**	130	135	17%

Mobile subscription revenue increased by 2% year-on-year for the six months ended June 30, 2010, due to higher service subscription revenue from an enlarged higher-ARPU 3G customer base and increased usage of mobile data, IDD and roaming services. However, total mobile revenue only increased marginally year-on-year to HK$838 million because of the lower sales of handsets and accessories in the first half of 2010.

The strategy to grow high-end customers business, coupled with economies of scale arising from the larger customer base, contributed to a 17% year-on-year increase in mobile EBITDA to HK$152 million.

With its leadership in high-speed data networks, PCCW mobile has been a major beneficiary of the increasing popularity of smart phones and other wireless access devices. As a result, our mobile data service saw another period of strong revenue growth of 31% compared with a year earlier.

PCCW mobile's total subscribers reached 1,469,000 at the end of June 2010, an increase of 4% over the previous year. 3G subscribers expanded to 606,000, 29% higher than a year ago. Total post-paid subscribers increased by 3% year-on-year to 925,000. 3G subscribers as a percentage of the total post-paid subscriber base continued to trend upward to 66% at the end of June 2010, compared to 52% a year earlier. This strong growth in 3G subscribers paves way for further revenue growth with value-added services. Riding on the larger 3G subscriber base and increased usage on mobile data, our blended 2G and 3G ARPU in June 2010 increased slightly to HK$134, compared with HK$132 a year earlier.

PCCW Solutions

For the six months ended HK$ million	Jun 30, 2010	Jun 30, 2009	Dec 31, 2009	Better/ (Worse) y-o-y
PCCW Solutions revenue	**1,087**	905	939	20%
PCCW Solutions EBITDA[1]	**100**	82	127	22%

PCCW Solutions reported strong revenue and EBITDA growth for the six months ended June 30, 2010, benefiting from the general market recovery and impressive business growth in mainland China in the first half of 2010. Revenue surged by 20% year-on-year to HK$1,087 million, while EBITDA increased by 22% year-on-year to HK$100 million.

In Hong Kong, PCCW Solutions continued to expand its existing client relationships and win new clients in both the private and public sectors for data center, IT outsourcing, systems integration, technical services, and other business process outsourcing contracts. PCCW Solutions also benefited from a growing revenue contribution from projects with mainland China telecommunications companies.

PCPD

PCPD recorded a revenue of HK$1,070 million and EBITDA of HK$353 million for the six months ended June 30, 2010, compared with HK$2,306 million and HK$306 million, respectively, a year earlier. The better EBITDA results in the first half of 2010 were due to higher gross profit achieved from the property development segment.

The luxury houses at Villa Bel-Air continue to be the focus of PCPD in Hong Kong, and sales will proceed in phases over the next few years. Pacific Century Place, PCPD’s investment property in mainland China, enjoyed an average occupancy rate of 75% for the six months ended June 30, 2010.

For more information about the performance of PCPD, please refer to its 2010 interim results released on August 13, 2010.

Other Businesses

Other Businesses primarily comprised certain overseas operations and corporate support functions. Revenue from Other Businesses was HK$26 million for the six months ended June 30, 2010. During the period, the cost to the Group of Other Businesses increased by 3% year-on-year to HK$324 million.

Eliminations

Eliminations was HK$719 million for the six months ended June 30, 2010. Eliminations is related to internal charges for telecommunications services consumed, IT support and computer system network charges, customer support services and rental among the Group’s business units.

Costs

Cost of Sales

For the six months ended HK$ million	**Jun 30, 2010**	**Jun 30, 2009**	**Dec 31, 2009**	Better/ (Worse) y-o-y
The Group (excluding PCPD)	**4,932**	4,507	4,669	(9)%
PCPD	552	1,924	1,154	71%
Group Total	**5,484**	6,431	5,823	15%

The Group's consolidated total cost of sales for the six months ended June 30, 2010 decreased by 15% year-on-year to HK$5,484 million. The change was primarily due to a 71% decrease in PCPD's cost of sales to HK$552 million in relation to lower cost recognized for its property development projects. Gross margin improved to 54% in the first half of 2010, compared with 50% a year ago.

As core revenue increased, the Group's cost of sales excluding PCPD also increased to HK$4,932 million.

General and Administrative Expenses

The Group continued to implement cost management measures appropriate for the challenging operating environment during the first half of 2010. Operating expenses such as marketing, corporate support functions and operating costs of property, plant and equipment were reduced, resulting in a 9% year-on-year decrease in core operating expenses (excluding PCPD) and an overall 6% decrease in total operating expenses before depreciation and amortization for the six months ended June 30, 2010. Taking into account the depreciation and amortization expenses of HK$1,883 million, general and administrative expenses fell by 3% year-on-year to HK$4,482 million.

EBITDA[1]

Satisfactory performance in all core segments contributed to an overall core EBITDA improvement in the first half of 2010. Core EBITDA increased by 3% year-on-year to HK$3,369 million for the six months ended June 30, 2010. Core EBITDA margin remained stable year-on-year at 31%.

Consolidated EBITDA including PCPD increased by 4% from a year ago to HK$3,722 million for the six months ended June 30, 2010. With a higher EBITDA margin contributed by PCPD, consolidated EBITDA margin also increased by 4 percentage points from a year ago to 32% in the first half of 2010.

Interest Income and Finance Costs

Interest income decreased by 25% year-on-year to HK$9 million for the six months ended June 30, 2010 due to a lower average cash balance in the first half. Finance costs increased by 8% year-on-year to HK$806 million due to one-off expenses associated with the new term loan and revolving credit facility during the period. Net finance cost, therefore, increased by 8% year-on-year to HK$797 million.

Income Tax

Income tax expenses for the six months ended June 30, 2010 increased by 19% year-on-year to HK$207 million on higher operating profit recorded during the period, and the Group's effective tax rate for the six months ended June 30, 2010 was 19.5% (June 30, 2009: 19%).

Non-controlling Interests

Non-controlling interests of HK$88 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, 2010 increased by 17% year-on-year to HK$765 million (June 30, 2009: HK$654 million).

LIQUIDITY AND CAPITAL RESOURCES

The Group actively and regularly reviews and manages its capital structure to maintain a balance between higher shareholders' return with higher level of borrowings and a sound capital position. The Group also makes adjustments to maintain an optimal capital structure in light of changes in economic conditions and to reduce cost of capital.

The Group's gross debt[4] decreased to HK$32,863 million as at June 30, 2010 (December 31, 2009: HK$35,262 million) after certain debt repayment during the first half of 2010. Cash and cash equivalents totaled HK$3,952 million as at June 30, 2010 (December 31, 2009: HK$8,049 million) following the payment of dividends during the period. As a result, the Group's net debt[4] was HK$28,712 million as at June 30, 2010 (December 31, 2009: HK$27,161 million).

As at June 30, 2010, the Group had a total of HK$31,279 million in committed banking facilities available for liquidity management, of which HK$14,012 million remained undrawn.

The Group's gross debt[4] to total assets was 79% as at June 30, 2010 (June 30, 2009: 76%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2010, 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, 2010 was HK$712 million (June 30, 2009: HK$691 million). Major outlays for the period included strategic investments in quadruple-play and high-speed broadband in meeting service demands as well as enhancement of our international and mobile networks.

As a result of significant investments made in previous years, the Group's now TV, mobile and international networks are already operating in quality infrastructure, and its broadband network coverage is the best among all local operators. This provided greater flexibility in prioritizing our capital expenditure in the first half of 2010. Going forward, PCCW will continue to invest in its unique quadruple-play platform and networks having regard to 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, 2010, all cross currency swap contracts were designated as cash flow hedges for the Group’s foreign currency denominated long-term borrowings.

CHARGE ON ASSETS

As at June 30, 2010, certain assets of the Group with an aggregate carrying value of HK$3,960 million (December 31, 2009: HK$3,913 million) were pledged to secure loans and banking facilities of the Group.

CONTINGENT LIABILITIES

HK$ million	**As at Jun 30, 2010 (Unaudited)**	As at Dec 31, 2009 (Audited)
Performance guarantee	**396**	393
Others	**42**	34
	438	427

The Group is subject to certain corporate guarantee obligations to guarantee the performance of its wholly-owned subsidiaries in the normal course of their businesses. The amount of liabilities arising from such obligations, if any, cannot be ascertained but the Directors are of the opinion that any resulting liability would not materially affect the financial position of the Group.

The Group has assessed the likely outcome of the final assessment of the Development Maintenance Account of the Cyberport Project, details of which are disclosed in Note 10 to the unaudited condensed consolidated interim financial information.

HUMAN RESOURCES

As at June 30, 2010, the Group had approximately 18,700 employees (December 31, 2009: 18,200). About two-thirds of these employees work in Hong Kong and the others are based primarily in mainland China. The Company has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve the Company’s business performance targets. Payment of bonuses is generally based on achievement of EBITDA[1] and free cash flow targets for the Group as a whole and for each of the individual business units.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 5.10 HK cents per share (June 30, 2009: Nil) for the six months ended June 30, 2010 to shareholders of the Company whose names appear on the register of members of the Company on Tuesday, September 21, 2010, payable on or around Tuesday, October 5, 2010.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Thursday, September 16, 2010 to Tuesday, September 21, 2010 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend of 5.10 HK cents per share, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, Transfer Office, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, September 15, 2010. Dividend warrants will be despatched to shareholders on or around Tuesday, October 5, 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2010, 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, 2010. Such condensed consolidated interim financial information has not been audited but has been reviewed by the Company's independent auditor.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the six months ended June 30, 2010.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.pccw.com) and Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). The 2010 interim report will be despatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, August 13, 2010

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2010

In HK$ million (except for earnings per share)	Note(s)	**2010 (Unaudited)**	2009 (Unaudited)
Turnover	2	**11,802**	12,774
Cost of sales		**(5,484)**	(6,431)
General and administrative expenses		**(4,482)**	(4,642)
Other gains/(losses), net	3	**34**	(12)
Interest income		**9**	12
Finance costs		**(806)**	(748)
Share of results of associates		**26**	11
Share of results of jointly controlled companies		**(39)**	(42)
Profit before income tax	2, 4	**1,060**	922
Income tax	5	**(207)**	(174)
Profit for the period		**853**	748
Attributable to:			
Equity holders of the Company		**765**	654
Non-controlling interests		**88**	94
Profit for the period		**853**	748
Interim dividend declared after the interim period	6(a)	**345**	–
Earnings per share	7		
Basic		**11.30 cents**	9.66 cents
Diluted		**11.30 cents**	9.65 cents

CONSOLIDATED AND COMPANY BALANCE SHEETS
As at June 30, 2010

In HK$ million	Note	The Group **As at June 30, 2010 (Unaudited)**	The Group As at December 31, 2009 (Audited)	The Company **As at June 30, 2010 (Unaudited)**	The Company As at December 31, 2009 (Audited)
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		**15,582**	16,300	**–**	–
Investment properties		**3,825**	3,794	**–**	–
Interests in leasehold land		**563**	575	**–**	–
Properties held for/under development		**948**	904	**–**	–
Goodwill		**3,153**	3,096	**–**	–
Intangible assets		**2,168**	1,728	**–**	–
Investments in subsidiaries		**–**	–	**12,089**	12,089
Interests in associates		**200**	189	**–**	–
Interests in jointly controlled companies		**516**	514	**–**	–
Held-to-maturity investments		**3**	3	**–**	–
Available-for-sale financial assets		**362**	325	**–**	–
Deferred income tax assets		**61**	65	**–**	–
Other non-current assets		**442**	441	**–**	–
		27,823	27,934	**12,089**	12,089
Current assets					
Properties for sale		**449**	698	**–**	–
Amounts due from subsidiaries		**–**	–	**18,036**	16,586
Sales proceeds held in stakeholders' accounts		**1,061**	1,271	**–**	–
Restricted cash		**1,809**	1,001	**52**	52
Prepayments, deposits and other current assets		**2,782**	2,488	**9**	9
Inventories		**921**	992	**–**	–
Amounts due from related companies		**13**	8	**–**	–
Derivative financial instruments		**204**	108	**–**	–
Trade receivables, net	8	**2,637**	2,418	**–**	–
Tax recoverable		**8**	16	**–**	–
Cash and cash equivalents		**3,952**	8,049	**86**	93
		13,836	17,049	**18,183**	16,740

CONSOLIDATED AND COMPANY BALANCE SHEETS (CONTINUED)
As at June 30, 2010

In HK$ million	Note	The Group **As at June 30, 2010 (Unaudited)**	The Group As at December 31, 2009 (Audited)	The Company **As at June 30, 2010 (Unaudited)**	The Company As at December 31, 2009 (Audited)
Current liabilities					
Short-term borrowings		**(652)**	(246)	**(595)**	(200)
Trade payables	9	**(1,409)**	(1,645)	**–**	–
Accruals and other payables		**(4,136)**	(4,441)	**(4)**	(6)
Amount payable to the Government under the Cyberport Project Agreement		**(1,121)**	(833)	**–**	–
Carrier licence fee liabilities		**(188)**	(85)	**–**	–
Amounts due to related companies		**(22)**	(42)	**–**	–
Advances from customers		**(1,610)**	(1,768)	**–**	–
Current income tax liabilities		**(668)**	(767)	**–**	–
		(9,806)	(9,827)	**(599)**	(206)
Net current assets		**4,030**	7,222	**17,584**	16,534
Total assets less current liabilities		**31,853**	35,156	**29,673**	28,623
Non-current liabilities					
Long-term borrowings		**(31,826)**	(34,667)	**–**	–
Deferred income tax liabilities		**(1,515)**	(1,276)	**–**	–
Deferred income		**(670)**	(651)	**–**	–
Defined benefit liability		**(4)**	(5)	**–**	–
Carrier licence fee liabilities		**(952)**	(480)	**–**	–
Other long-term liabilities		**(127)**	(102)	**–**	–
		(35,094)	(37,181)	**–**	–
Net (liabilities)/assets		**(3,241)**	(2,025)	**29,673**	28,623
CAPITAL AND RESERVES					
Share capital		**1,693**	1,693	**1,693**	1,693
(Deficit)/Reserves		**(7,204)**	(7,138)	**27,980**	26,930
Equity attributable to equity holders of the Company		**(5,511)**	(5,445)	**29,673**	28,623
Non-controlling interests		**2,270**	3,420	**–**	–
Total equity		**(3,241)**	(2,025)	**29,673**	28,623

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of PCCW Limited (the "Company") and its subsidiaries (collectively the "Group") has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2009.

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 13, 2010.

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 reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group has assessed the likely outcome of the final assessment of the Development Maintenance Account of the Cyberport Project, details of which are disclosed in Note 10. During the six months ended June 30, 2010, the Group has reassessed the estimated amount recoverable from ongoing appeals against rates and government rents assessed by the Rating and Valuation Department and recorded a reduction in operating costs of property, plant and equipment on the basis of advice from the Group's external experts.

1. BASIS OF PREPARATION (CONTINUED)

The accounting policies and methods of computation used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group's annual financial statements for the year ended December 31, 2009, 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, 2010:

- HKFRS 3 (revised), 'Business Combinations', and consequential amendments to HKAS 27, 'Consolidated and Separate Financial Statements', HKAS 28, 'Investments in Associates', and HKAS 31, 'Interests in Joint Ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. All acquisition-related costs are expensed.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2010, but have no material effect on the Group's results and financial position for the current and prior periods.

- HKAS 27 (Revised), 'Consolidated and Separate Financial Statements'.
- HKAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement'.
- HKFRS 1 (Revised), 'First Time Adoption of HKFRS'.
- HKFRS 1 (Amendment), 'First Time Adoption of HKFRS'.
- HKFRS 2 (Amendment), 'Share-based Payment'.
- HK(IFRIC)-Int 17, 'Distributions of Non-cash Assets to Owners'.
- Improvement related to HKFRS 5 'Non-current assets held for sale and discontinued operations' as part of the first improvements to HKFRSs (2008) issued in October 2008 by the HKICPA.
- Second improvements to HKFRSs (2009) issued in May 2009 by the HKICPA.

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

2. SEGMENT INFORMATION

The chief operating decision-maker (the “CODM”) is the Group’s senior executive management. The CODM reviews the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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

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

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

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

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

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

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

The CODM assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortization (“EBITDA”). EBITDA represents earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortization of land lease premium and intangible assets, gains/losses on disposal of property, plant and equipment, investment properties and interests in leasehold land, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on interests in associates and jointly controlled companies and the Group’s share of results of associates and jointly controlled companies.

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

2. SEGMENT INFORMATION (CONTINUED)

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

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

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

For the six months ended June 30, 2009
(In HK$ million)

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

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)**	June 30, 2009 (Unaudited)
Total segment EBITDA	**3,722**	3,590
Losses on disposal of property, plant and equipment	**(2)**	–
Depreciation and amortization	**(1,883)**	(1,889)
Net other gains/(losses) and restructuring costs	**33**	(12)
Interest income	**9**	12
Finance costs	**(806)**	(748)
Share of results of associates and jointly controlled companies	**(13)**	(31)
Profit before income tax	**1,060**	922

3. OTHER GAINS/(LOSSES), NET

In HK$ million	Six months ended **June 30, 2010 (Unaudited)**	June 30, 2009 (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
Others	**2**	(33)
	34	(12)

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, 2009 (Unaudited)
Crediting:		
Revenue from properties sold	**855**	2,109
Charging:		
Cost of inventories sold	**937**	1,008
Cost of properties sold	**493**	1,863
Cost of sales, excluding inventories and properties sold	**4,054**	3,560
Depreciation of property, plant and equipment	**1,356**	1,337
Operating costs of property, plant and equipment	**420**	571
Amortization of intangible assets	**516**	540
Amortization of land lease premium	**11**	12
Finance costs on borrowings	**776**	716
Staff costs	**1,342**	1,297

5. INCOME TAX

In HK$ million	**Six months ended June 30, 2010 (Unaudited)**	June 30, 2009 (Unaudited)
Current income tax:		
Hong Kong profits tax	**(57)**	(57)
Overseas tax	**24**	9
Movement of deferred income tax	**240**	222
	207	174

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the period. Overseas tax has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

6. DIVIDENDS

a. Dividend attributable to the interim period

In HK$ million	**Six months ended June 30, 2010 (Unaudited)**	June 30, 2009 (Unaudited)
Interim dividend declared after the interim period of 5.10 HK cents per ordinary share (2009: Nil)	**345**	–

At a meeting held on August 13, 2010, the directors declared an interim dividend of 5.10 HK cents per ordinary share for the year ending December 31, 2010. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information. It will be recognized in shareholders' equity in the year ending December 31, 2010.

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

In HK$ million	**Six months ended June 30, 2010 (Unaudited)**	June 30, 2009 (Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period of 13.3 HK cents per ordinary share (2009: Nil)	**901**	–
Special dividend declared and paid during the interim period - Nil (2009: 130 HK cents per ordinary share)	**–**	8,804
	901	8,804

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)	June 30, 2009 (Unaudited)
Earnings (in HK$ million)		
Earnings for the purposes of basic and diluted earnings per share	**765**	654
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,772,294,654**	6,772,294,654
Effect of the Company's share award schemes	**–**	2,519,109
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,772,294,654**	6,774,813,763

8. TRADE RECEIVABLES, NET

An aging analysis of trade receivables is set out below:

In HK$ million	As at June 30, 2010 (Unaudited)	As at December 31, 2009 (Audited)
0 – 30 days	**1,344**	1,534
31 – 60 days	**421**	321
61 – 90 days	**193**	174
91 – 120 days	**154**	108
Over 120 days	**761**	583
	2,873	2,720
Less: Impairment loss for doubtful debts	**(236)**	(302)
	2,637	2,418

Trade receivables in respect of properties sold are payable by the purchasers pursuant to the terms of the sales contracts. Other trade receivables have a normal credit period ranging up to 30 days from the date of invoice or per contracted terms unless there is a separate mutual agreement on extension of the credit period. 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 June 30, 2010 (Unaudited)**	As at December 31, 2009 (Audited)
0 – 30 days	**886**	927
31 – 60 days	**64**	111
61 – 90 days	**74**	44
91 – 120 days	**46**	40
Over 120 days	**339**	523
	1,409	1,645

10. CONTINGENT LIABILITIES

Under the Cyberport Project Agreement, a Development Maintenance Account (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 (please refer to note 3(v) to the 2009 Financial Statements).

The Group has been in discussions with the Government and Hong Kong Cyberport Management Company Limited ("HKCMCL") concerning the purported final assessment of the DMA Amount made by HKCMCL under the terms of the Cyberport Project Agreement. By that assessment, HKCMCL purported to increase the level of funding of the DMA Account from HK$500 million to approximately HK$1,700 million. On May 20, 2010, HKCMCL commenced legal proceedings against Cyber-Port Limited (an indirect non-wholly owned subsidiary of the Company and hereinafter "CPL") by way of originating summons (the "Originating Summons") in which it sought declarations as to its purported final assessment. On May 22, 2010, the Group responded to the filing of the Originating Summons by commencing legal proceedings by way of writ against HKCMCL and its affiliates, Hong Kong Cyberport Development Holdings Limited and Hong Kong Cyberport (Ancillary Development) Limited, seeking orders to quash the purported final assessment of the DMA Amount and the purported auditors' certificate issued in relation to same and damages. The Group has made applications to the Court to consolidate the Originating Summons proceedings into the writ action if it is not withdrawn or stayed.

No judgement in the legal proceedings has been made yet. The directors have taken legal advice and sought expert opinions on various matters relevant to the claims. They are of the opinion that the provisional assessment of HK$500 million would be adequate for the purpose of the final assessment of the DMA Amount, and the liability to contribute additional funds to the DMA Account is remote.

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

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

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

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 and Tse Sze Wing, Edmund, GBS

Forward-Looking Statements

This announcement may contain certain forward-looking statements. These forward-looking statements include, without limitation, statements relating to revenues and earnings. The words “believe”, “intend”, “expect”, “anticipate”, “project”, “estimate”, “predict”, “is confident”, “has confidence” and similar expressions are also intended to identify forward-looking statements. These forward-looking statements are not historical facts. Rather, the forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of the directors and management of PCCW relating to the business, industry and markets in which PCCW operates.