

SUPPLEMENTARY UNAUDITED PROFORMA FINANCIAL AND OPERATIONAL INFORMATION

The directors of the Company announced the following supplementary unaudited proforma financial and operational information concurrently with the announcement of the unaudited consolidated results for the Group for the six months ended June 30, 2001. The results for the six months ended June 30, 2001 included the results of HKT and its subsidiaries (the "HKT Group") whereas the results for the period ended June 30, 2000 represented the results of the Group prior to its acquisition of HKT on August 17, 2000.

This supplementary unaudited proforma information was published to ensure that investors are provided with information reasonably necessary to enable them to assess the position of the Group and to avoid the establishment of a false market in the Company's securities, in accordance with the Company's obligations under paragraph 2 of its Listing Agreement with The Stock Exchange of Hong Kong Limited, and is included in this Interim Report in order to allow a meaningful assessment of the Company's underlying financial performance and operating trends.

BASIS OF PRESENTATION

The unaudited proforma financial and operational information for the six months ended June 30, 2000 was prepared under generally accepted accounting principles in Hong Kong based on the historical combined results of the Group and the HKT Group, but excluding the HKT Group's wholesale Internet Protocol Backbone business and wireless communications business which were contributed to ventures with Telstra Corporation Limited in February 2001. Transactions between different business units are recorded at arms' length and in accordance with applicable regulatory requirements.

The Company does not represent that this unaudited pro forma financial data reflects what the results of the Company would actually have been, or would be, if the merger between the Company and HKT had, in fact, occurred on January 1, 2000.

The unaudited proforma financial and operational information was prepared by the Company's management for information purposes and has been reviewed by the Company's Audit Committee but it has not been reviewed by the Company's independent auditors.

UNAUDITED PROFORMA PRIOR YEAR COMPARISON OF INTERIM RESULTS

	Six months ended June 30, 2001 (Unaudited)	Six months ended June 30, 2000 (Unaudited, proforma)	Change
<i>(Amounts expressed in millions of Hong Kong dollars)</i>			
Revenues			
Telecommunications	\$ 10,969	\$ 10,279	7%
Internet Services	649	509	27%
Infrastructure	721	121	495%
Others	263	209	26%
Eliminations	(1,290)	(996)	(30)%
Total Revenues	11,312	10,122	12%
EBITDA (Note)			
Telecommunications	5,136	4,609	11%
Internet Services	(764)	(858)	11%
Infrastructure	310	(16)	N/A
Others	(771)	(337)	(129)%
Total EBITDA	3,911	3,398	15%

Note:

EBITDA represents earnings before interest, taxation, depreciation, amortization, net gain on investments, loss on disposal of fixed assets, other income and the Group's share of results of associates, jointly controlled companies and unconsolidated subsidiaries. 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 generally accepted accounting principles in Hong Kong 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.

HIGHLIGHTS

On the unaudited proforma basis described above, total turnover of the Group increased 12 percent year-on-year and EBITDA increased 15 percent year-on-year. The Group's focus on cost containment and capital efficiency has supported improved EBITDA margins overall (up 1 percent year-on-year to approximately 35 percent) and significantly lower total capital expenditure (down 45 percent year-on-year to HK\$1,120 million) on the same basis.

Telecommunications was the Group's most profitable activity for the six months ended June 30, 2001, generating EBITDA of HK\$5,136 million on turnover of HK\$10,969 million, up 11 percent and 7 percent year-on-year, respectively, on the unaudited proforma basis described above. This segment comprises the Group's core telecommunications, Business eSolutions and Internet Data Center services businesses.

Core telecommunications revenues of HK\$9,982 million for the six months ended June 30, 2001 comprised local telephone services revenues, local data services revenues, retail international services revenues and others. Local telephone services revenues of HK\$3,978 million for the six months ended June 30, 2001 increased by 5 percent year-on-year on the unaudited proforma basis described above. Tariff increases implemented in January 2001 offset a slight decline in the number of lines in service. At June 30, 2001 the Group had approximately 1,510,000 business lines and approximately 2,088,000 residential lines in service and its market share of aggregate lines in service had declined by approximately 3 percent year-on-year to 92 percent based on data published by Hong Kong's Office of the Telecommunications Authority. Local data services revenues of HK\$1,865 million for the six months ended June 30, 2001 increased 17 percent year-on-year on the unaudited proforma basis described above, with strong demand for high speed, high volume data transmission from businesses and other communications service providers and a 60 percent increase in the number of wholesale broadband lines in service to approximately 305,000 at June 30, 2001. The Group sustained its market share of retail international voice (IDD) traffic at approximately 30 percent in the period, despite continued aggressive price competition with average retail IDD prices declining by approximately 15 percent year-on-year. Due to revenue growth in new areas of the business, retail IDD revenues represented only 12 percent of core telecommunications services revenues, compared to 18 percent for the prior year period on the same basis. Total retail international services revenues of HK\$2,010 million for the six months ended June 30, 2001, including turnover from international leased circuits, declined 25 percent year-on-year on the unaudited proforma basis described above. Other turnover from equipment sales and rental, call center services, and technical services of HK\$2,129 million increased 29 percent year-on-year on the unaudited proforma basis described above, driven by new equipment and technical contracts for public sector customers.

Revenue from **Business eSolutions** for the six months ended June 30, 2001 was HK\$922 million, representing year-on-year growth of 73 percent on the unaudited proforma basis described above. This business unit contributed positive EBITDA for the six months to June 30, 2001 of HK\$94 million, compared to HK\$(55) million for the prior year period. On the same basis, the number of business broadband access customers increased 33 percent to 23,400 at June 30, 2001.

On the unaudited proforma basis described above, year-on-year revenue growth for **Internet Data Centers** was 88 percent to HK\$65 million for the six months ended June 30, 2001, with rack rentals up 289 percent year-on-year to 401 racks.

Internet Services revenue of HK\$649 million for the six months ended June 30, 2001 increased 27 percent year-on-year on the unaudited proforma basis described above. On the same basis, the growth in the number of consumer broadband access customers (including iTV) was 46 percent year-on-year.

Infrastructure Services revenue of HK\$721 million for the six months ended June 30, 2001 increased 495 percent on the unaudited proforma basis described above, supported by high levels of occupancy within the Group's investment properties in Hong Kong and mainland China, disposals of certain property assets and project fees.

Others and Eliminations of HK\$(1,290) million in aggregate increased 30 percent year-on-year on the unaudited proforma basis described above, primarily due to increased inter-business unit eliminations arising predominantly from increased sales of retail broadband Internet access services.