

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2006

HK\$ million	2006						Total
	Issued equity	Capital reserve (note a)	Currency translation reserve	Convertible notes reserve	Employee share-based compensation reserve	Retained earnings	
Balance at January 1, 2006	4,631	(565)	72	769	15	835	5,757
Exchange differences	—	—	34	—	—	—	34
Net income recognised directly in equity	—	—	34	—	—	—	34
Profit for the period	—	—	—	—	—	703	703
Total recognised income for the period	—	—	34	—	—	703	737
Share premium reduction (note 11 (b))	(322)	—	—	—	—	322	—
Value of employee services under employee share option scheme	—	—	—	—	2	—	2
2005 final dividend paid	—	—	—	—	—	(132)	(132)
Balance at June 30, 2006	4,309	(565)	106	769	17	1,728	6,364

HK\$ million	2005						Total
	Issued equity	Capital reserve (note a)	Currency translation reserve	Convertible notes reserve	Employee share-based compensation reserve	Retained earnings	
Balance at January 1, 2005	3,424	(565)	—	1,160	10	442	4,471
Exchange differences	—	—	(2)	—	—	—	(2)
Net loss recognised directly in equity	—	—	(2)	—	—	—	(2)
Profit for the period	—	—	—	—	—	263	263
Total recognised income for the period	—	—	(2)	—	—	263	261
Issue of ordinary shares upon conversion of convertible note	1,207	—	—	(391)	—	—	816
Value of employee services under employee share option scheme	—	—	—	—	4	—	4
2004 final dividend paid	—	—	—	—	—	(168)	(168)
Balance at June 30, 2005	4,631	(565)	(2)	769	14	537	5,384

- a. Capital reserve of the Group represents the difference between the carrying amounts of the net assets of Ipswich Holdings Limited, a then subsidiary of PCCW Limited (“PCCW”), and its subsidiaries (together the “Property Group”) and certain assets held by another subsidiary of PCCW and the stated value of the shares issued by Ipswich Holdings Limited in 2004 in exchange for the entire equity interests in the Property Group.