



## CONTENTS

1	Corporate Profile
2	Key Figures
3	Statement from the Chairman
4	Statement from the Group Managing Director
7	Management's Discussion and Analysis
19	Consolidated Income Statement
20	Consolidated Balance Sheet
22	Consolidated Statement of Changes in Equity
24	Condensed Consolidated Cash Flow Statement
25	Notes to the Unaudited Condensed Consolidated Financial Statements
33	General Information
44	Investor Relations

## CORPORATE PROFILE

PCCW Limited (PCCW or the Company) is the largest and most comprehensive communications provider in Hong Kong and a world-class player in Information & Communications Technologies (ICT).

Hong Kong's image as a center of technology excellence has been enhanced by PCCW's quadruple-play capability, which enables customers to enjoy media content and services via fixed-line, broadband, TV and mobile platforms.

Internationally, PCCW enables organizations to bring business to Asia, run operations across the region and take Asian business to the rest of the world. The Company also provides cutting-edge technical services to network operators and handles large-scale IT outsourcing projects in the public and private sectors.

Employing a total of approximately 15,400 staff, PCCW has a presence in Europe, the Middle East, Africa, the Americas and mainland China, as well as Hong Kong and 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 Pink Sheets' OTC Market in the US (Ticker: PCCWY).

## KEY FIGURES

### FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2007

In HK\$ million (except for per share data)

	2007 (Unaudited)	2006 (Unaudited)
Turnover		
Core revenue*	9,507	8,848
PCPD	2,100	5,276
	<b>11,607</b>	14,124
Cost of sales	(5,199)	(7,555)
General and administrative expenses	(4,398)	(4,386)
Other gains, net	55	98
Losses on property, plant and equipment	(2)	–
Finance costs, net	(610)	(616)
Share of results of jointly controlled companies and associates	(1)	18
Profit before taxation	1,452	1,683
Income tax	(377)	(609)
Profit for the period	<b>1,075</b>	1,074
Attributable to:		
Equity holders of the Company	822	796
Minority interests	253	278
Earnings per share (in HK cents)		
Basic	12.16	11.83
Diluted	11.96	11.79
Dividend per share (in HK cents)		
Interim dividend declared after the interim period	6.5	6.5
EBITDA <sup>2</sup>		
Core EBITDA*	3,068	2,944
PCPD	541	708
	<b>3,609</b>	3,652

### OPERATION HIGHLIGHTS

	As at June 30, 2007	As at December 31, 2006
Fixed line market share <sup>4, 5</sup>		
Business lines	69%	69%
Residential lines	66%	66%
Exchange lines in service ('000)	2,590	2,587
Business lines ('000)	1,183	1,180
Residential lines ('000)	1,407	1,407
Traditional data (Exit Gbps)	614	485
International Private Leased Circuit bandwidth (Exit Mbps)	47,098	22,994
Total broadband access lines ('000)	1,176	1,117
Mobile subscribers		
3G post-paid ('000)	119	55
2G post-paid ('000)	462	516
2G prepaid ('000)	376	350
nOW TV		
Installed base ('000)	818	758
Paying base ('000)	560	501

Notes: Please refer to pages 7 and 10 for definition of terms.

## STATEMENT FROM THE CHAIRMAN

### Dear fellow shareholders

PCCW's results for the six months ended June 30, 2007 demonstrated that we are continuing to deliver on our strategy to create value by leveraging existing assets, while capitalizing on synergies and pursuing new growth opportunities. We have made further progress in turning round our telecommunications business, as well as expanding our 3G mobile service and growing our highly-successful TV & Content business. We have also laid the groundwork for projects outside Hong Kong.

The Company is able to report a solid financial and operating performance in the face of intense competition, while our market-leading service standards and innovative application of new technologies have distinguished us from domestic competitors.

After developing our quadruple-play capability in 2006, we are now unleashing the potential in this investment by delivering a growing variety of media content and interactive services to customers via our fixed-line, broadband, mobile and TV platforms.

Winning exclusive local broadcasting rights to live Barclays Premier League action for three seasons beginning August 2007 and the launch of PCCW's high-definition TV service have fortified our position as Hong Kong's premier pay-TV operator.

In addition, enhancements to our fixed-line platform strengthen our market positioning as Hong Kong's premium and preferred telecoms provider, while PCCW mobile's 3G subscriber base has grown, as consumers continue to be attracted to our innovative content offerings.

Turning to international activities, we received word in April that our bidding consortium in the Kingdom of Saudi Arabia was one of three likely to receive a fixed-line license to compete with the incumbent. We now await final approval from the Saudi authorities.

Our property arm, Pacific Century Premium Developments Limited, continues to perform well, benefiting from an improved local economy and the exemplary image of our premium brand, Bel-Air. Work has begun on projects in Hong Kong and Beijing and we continue to explore other opportunities throughout the Asia Pacific region.

Our developing strategic alliance with China Netcom has given rise to joint projects involving broadband, IT, international connectivity and property redevelopment. China Netcom has reiterated an interest in working with us in mobile, subject to obtaining a 3G license from the PRC Government.

Although we have made significant progress during the first half of 2007, I believe scope exists for the management team to do better this year, with added impetus from yet more innovative PCCW services and sustained economic growth.

I will continue to work closely with the Board and management to achieve our strategic objectives and wish to thank the wider PCCW team for efforts made to ensure the Company's success.



**Richard Li**  
Chairman  
August 29, 2007

## STATEMENT FROM THE GROUP MANAGING DIRECTOR

I am pleased to report that PCCW's core business experienced stronger growth during the first half of 2007, as we began reaping the benefits of our quadruple-play strategy.

The revenue potential of our telecommunications assets and new growth businesses is increasing, with delivery of a growing variety of services to customers over four platforms – fixed line, broadband, TV and mobile.

In addition, our integrated wireless strategy is making the delivery of content and services on these platforms more widely available to customers on the move.

Leadership in technology and innovation keeps us ahead of competitors and is opening up new opportunities internationally.

### FIRST HALF 2007 RESULTS HIGHLIGHTS

The Group's core revenue\* increased 7 percent in the first half to HK\$9,507 million, as Telecommunications Services ("TSS") returned to growth.

Our TV & Content division maintained strong growth momentum, while PCCW mobile's 3G services were greatly expanded and PCCW Solutions continued to grow its IT outsourcing business.

Reflecting lower recognition of sales by our property development and investment subsidiary, Pacific Century Premium Developments Limited ("PCPD"), Group consolidated revenue fell 18 percent to HK\$11,607 million.

Core EBITDA\* increased 4 percent to HK\$3,068 million and consolidated EBITDA, including PCPD, decreased 1 percent to HK\$3,609 million.

As a result of our investment in new growth businesses, depreciation and amortization was higher in the first half of 2007, although we were able to more than offset the rise by reducing core operating expenses, lowering net finance costs and reducing tax expenditure.

Profit attributable to our equity holders increased 3 percent to HK\$822 million and basic earnings per share were 12.16 Hong Kong cents. I have great pleasure in reporting that the Board has declared an interim dividend of 6.5 Hong Kong cents per share.

### FIRST HALF 2007 OPERATIONS

Our four main core business segments – Telecommunications Services, TV & Content, Mobile and PCCW Solutions – all saw an improvement in revenue and EBITDA during the first half of 2007.

### Telecommunications Services

TSS returned to growth, as revenue increased 4 percent to HK\$7,706 million, led by local data and international telecoms services. EBITDA increased 1 percent to HK\$3,431 million.

Local fixed-line revenue and market share were stable, as the number of lines remained steady with ARPU holding firm.

The Group's fixed-line platform was strengthened with the introduction of the PCCW **eye** home multimedia service and **ONE** communications integrated fixed/mobile solution for business.

Local data services revenue increased, as NETVIGATOR maintained market leadership in broadband access. Total lines in service increased 18 percent on the previous year to 1,176,000 at the end of June 2007.

Broadband demand was fuelled by **NOW TV** growth and rising demand for high-quality, value-added Internet offerings, such as the MOOV digital music streaming service, **snaap!**, a new multimedia sharing service, was launched during the period on all four quadruple-play platforms. On the commercial side, customer demand for bandwidth grew as a result of greater deployment of bandwidth-hungry applications.

As part of our integrated wireless strategy, the number of PCCW Wi-Fi hotspots increased substantially during the first half of 2007. More than 3,000 hotspots are now deployed across Hong Kong and Wi-Fi usage has tripled.

In addition, NETVIGATOR Everywhere was launched in August 2007 as a unique wireless broadband service that detects and selects the best available connectivity from PCCW's 3G, HSDPA and Wi-Fi capabilities.

International telecoms revenue increased during the period, with higher demand for traditional and IP-based services.

Computer and equipment sales increased as the local economy grew, while our contact center enterprise benefited from a greater demand for business process outsourcing.

Drawing on expertise and knowledge earned by deploying world-class quadruple-play services for PCCW, Cascade Limited ("CASCADE") continued to lead IPTV and other network projects in mainland China, Southeast Asia and elsewhere. New CASCADE opportunities are emerging from telecoms deregulation and growing demand for sophisticated services.

### TV & Content

TV & Content revenue surged 42 percent year on year to HK\$715 million, driven by **NOW TV**'s strong growth momentum. With revenue up substantially, EBITDA loss was cut by more than half to HK\$74 million.

**NOW TV**'s installed base was 818,000 at the end of June 2007 and the paying base for content and interactive services reached 560,000. Exit ARPU climbed a further 19 percent from December 2006 to HK\$166 per month.

Launch of the Mega Sports Pack in March this year contributed to the increase in ARPU during the first half of 2007. The pack retailed at HK\$178 per month, increasing to HK\$218 per month in August, which should lead to a further improvement in ARPU during the second half of the year.

The pack contains Hong Kong's strongest lineup of major international sporting events and includes exclusive live broadcasts of Barclays Premier League ("BPL") football matches beginning in August 2007.

BPL matches can also be viewed on our other quadruple-play platforms including PCCW mobile, now.com.hk via broadband and the PCCW **eye** multimedia service.

**NOW TV**'s exciting content and interactive services lineup continues to grow, with 150 local and international channels as of August 2007, including more than 70 exclusive world-class movie, sports, news and general entertainment channels.

We also launched Hong Kong's first high-definition ("HD") TV service in July 2007, strengthening **NOW TV**'s reputation as Hong Kong's premier pay-TV service.

In addition, the MOOV music library was expanded during the period to offer more than 100,000 songs and music videos via our broadband, mobile and fixed-line platforms.

Established in early 2007, the Advertising & Interactive Services unit develops new revenue opportunities from interactive advertising, merchandising and transaction-based services.

One example is our recently launched Hang Seng TV Securities Trading Service, which enables Hang Seng Personal e-Banking customers to trade local securities on two **NOW TV** channels.

## STATEMENT FROM THE GROUP MANAGING DIRECTOR (CONTINUED)

**Mobile**

Mobile revenues increased 14 percent year on year to HK\$668 million, as the total number of mobile subscribers jumped 23 percent and the share of higher-paying 3G subscribers increased.

Attracted by our unique quadruple-play offerings, the number of 3G subscribers more than doubled during first half 2007 to 119,000, with 3G exit ARPU increasing 14 percent to HK\$229 per month. Blended (3G+2G) postpaid exit ARPU also increased.

PCCW mobile's unique content and interactive services include 20 real-time **NOW** TV channels via "NOW on mobile" and "NOW SPORTS on mobile", plus "MOOV on mobile" and **snaap!**. Business customers are also able to enjoy PUSH eMail and the **ONE** communications integrated fixed/mobile solution.

"NOW SPORTS HD on mobile" delivers BPL action and other exclusive sports coverage with a razor-sharp picture on certain handset models, while "NOW on mobile" offers a range of general entertainment and news programming.

**PCCW Solutions**

Revenue from the Group's IT services arm increased 12 percent year on year to HK\$826 million, while EBITDA jumped 23 percent to HK\$102 million.

During the first half of 2007, PCCW Solutions won significant contracts that strengthen its recurring revenue base. These included a seven-year data center services contract from a major healthcare organization in Hong Kong and a 10-year contract with the Hong Kong Police Force for a Versatile Maritime Policing Response System.

PCCW Solutions projects outside Hong Kong included development of a Maintenance Management Information System in mainland China for MTR Corporation Limited and provision of POS/CRM solutions for two cosmetic brands in Asia Pacific.

**Pacific Century Premium Developments Limited**

Revenue from PCPD decreased 60 percent to HK\$2,100 million, reflecting fewer property completions at the Bel-Air luxury accommodation complex. Work has begun on the redevelopment of a telephone exchange in Hong Kong and a project in Beijing.

**OUTLOOK**

Much of the benefit from investments in the Group's growth businesses and quadruple-play platforms will come in future years, but early signs of value became evident in the first half of 2007. Healthy core revenue growth was achieved during the period under review, with the prospect of further improvement in the second half, assisted by a buoyant economy and further expansion of our content and service offerings.

With our quadruple-play capability now firmly in place, our focus in the second half of 2007 will remain on expanding the volume and quality of content and transactional services across all four platforms. In addition, we will continue to implement our integrated wireless strategy and look for further opportunities to leverage our experience and expertise in the international marketplace.

The Group's innovation and investment over recent years has established a solid foundation on which to build a stronger business for the Company's future.

**Alex Arena**

Group Managing Director

August 29, 2007

\*Core revenue refers to Group consolidated revenue excluding PCPD the Group's property development and investment business, while core EBITDA refers to Group consolidated EBITDA excluding PCPD.



## MANAGEMENT'S DISCUSSION AND ANALYSIS

- Stronger growth of core business in the first half of 2007 as the Group began to reap the benefits of its quadruple-play strategy
- Continued strong momentum for NOW TV - installed base up 35% to 818,000
- 3G mobile subscribers more than doubled to 119,000
- Core revenue increased by 7% to HK\$9,507 million; consolidated revenue including PCPD decreased by 18% to HK\$11,607 million, reflecting lower recognition of property development revenue
- Core EBITDA increased by 4% to HK\$3,068 million; consolidated EBITDA including PCPD decreased by 1% to HK\$3,609 million
- Profit attributable to equity holders of the Company increased by 3% to HK\$822 million
- Basic earnings per share of 12.16 HK cents
- Declared interim dividend of 6.5 HK cents per share

### MANAGEMENT REVIEW

PCCW's core business grew more strongly during the first half of 2007 as the Group began to reap the benefits of its quadruple-play strategy. Boosted by ground-breaking content deals and technology innovations, Telecommunications Services ("TSS"), TV & Content, Mobile and PCCW Solutions all achieved improved results. TSS growth was led by local data services and international telecommunications services, while fixed-line operations remained stable.

Core revenue\* for the six months ended June 30, 2007 increased by 7% year-on-year to HK\$9,507 million, reflecting strong double-digit revenue growth rates for TV & Content, Mobile and PCCW Solutions, and a solid 4% year-on-year revenue growth for TSS. Consolidated revenue including PCPD declined by 18% year-on-year to HK\$11,607 million, reflecting lower revenue recognized from property completion in the Bel-Air project.

Core EBITDA\* for the six months ended June 30, 2007 increased by 4% year-on-year to HK\$3,068 million as the results of TV & Content and Mobile improved significantly, PCCW Solutions earned a higher margin, and TSS maintained stable earnings. Consolidated EBITDA including PCPD declined by 1% year-on-year to HK\$3,609 million, reflecting a lower contribution from PCPD.

Profit attributable to equity holders of the Company increased by 3% year-on-year to HK\$822 million, and basic earnings per share increased by 3% year-on-year to 12.16 HK cents. The board of Directors (the "Board") has resolved to declare an interim dividend of 6.5 HK cents per share for the six months ended June 30, 2007.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**OUTLOOK**

The results for the first half of 2007 reflect the continuing growth of the telecommunications services business, plus significant investment in the development of the Group's growth businesses, including TV & Content and Mobile, as part of our quadruple-play strategy. Much of the benefit from investments in these growth businesses will come in future years, but early signs of the value of these investments could be seen already in the first half of 2007.

The primary aim for our stabilized telecommunications services business is to increase revenue by leveraging existing network assets. Healthy revenue growth was achieved in the first half of 2007, and there are good prospects for further revenue improvement during the second half of 2007, against the backdrop of a growing economy and the introduction of new value-added services. The PCCW **eye** multimedia service, the **One** communications integrated fixed/mobile solution and the vast expansion of PCCW Wi-Fi hotspots in Hong Kong, all introduced during the first half of 2007, provide potential new sources of revenue for the telecommunications services business.

The strong growth of TV & Content revenue in the first half of 2007 should continue in the second half of the year as the new Barclays Premier League season gets under way, new revenue sources from advertising and interactive services are further developed and high-definition ("HD") TV programming is launched. The cross-platform delivery of **NOW** TV content and interactive services, and the shift to HD, should also benefit our mobile, broadband and fixed-line businesses.

Our mobile business should continue to benefit in the second half of 2007 from the integration of its marketing activities with those of the rest of the Group, the ongoing shift to 3G with its higher levels of average revenue per user ("ARPU") and the implementation of our integrated wireless strategy. The growing amount of **NOW** TV content available on mobile, including the **NOW** SPORTS channels and the recent launch of new value-added services including PUSH eMail and HD on mobile, should also support customer and ARPU growth.

The growth of external revenue from our traditional internal support businesses such as Teleservices, PCCW Solutions and network subsidiary Cascade Limited ("CASCADE") shows promise for further development. Teleservices contact centers are benefiting from the growing popularity of business process outsourcing, while our IT solutions arm, PCCW Solutions, continues to win contracts in Hong Kong, mainland China and elsewhere in Asia Pacific, and CASCADE is growing its business in both Asia and the Middle East.

With all four quadruple-play delivery platforms now in place, our focus in the second half of 2007 will remain on offering a growing variety of content and interactive services across all four platforms. We will also continue to look for ways to leverage internationally our experience and expertise in Hong Kong. We have laid a solid foundation for the Company's future, and are now building a stronger business on that foundation.

## FINANCIAL REVIEW BY SEGMENTS

For the six months ended HK\$ million	June 30, 2007	June 30, 2006	December 31, 2006	Better/ (Worse) y-o-y
<b>Revenue<sup>1</sup></b>				
TSS	7,706	7,405	7,969	4%
TV & Content	715	505	497	42%
Mobile	668	585	651	14%
PCCW Solutions	826	737	915	12%
Other Businesses	165	162	166	2%
Eliminations	(573)	(546)	(672)	(5)%
<b>Total Revenue (excluding PCPD)</b>	<b>9,507</b>	8,848	9,526	7%
PCPD	2,100	5,276	1,987	(60)%
<b>Consolidated Revenue</b>	<b>11,607</b>	14,124	11,513	(18)%
<b>Cost of sales</b>	<b>(5,199)</b>	(7,555)	(5,131)	31%
<b>Operating costs before depreciation, amortization and restructuring costs</b>	<b>(2,799)</b>	(2,917)	(3,207)	4%
<b>EBITDA<sup>1, 2</sup></b>				
TSS	3,431	3,414	3,589	1%
TV & Content	(74)	(155)	(156)	52%
Mobile	(56)	(70)	(116)	20%
PCCW Solutions	102	83	68	23%
Other Businesses	(335)	(328)	(458)	(2)%
<b>Total EBITDA (excluding PCPD)</b>	<b>3,068</b>	2,944	2,927	4%
PCPD	541	708	248	(24)%
<b>Consolidated EBITDA<sup>2</sup></b>	<b>3,609</b>	3,652	3,175	(1)%
<b>Consolidated EBITDA Margin<sup>2, 4</sup></b>	<b>31%</b>	26%	28%	5%
<b>Depreciation and amortization</b>	<b>(1,610)</b>	(1,467)	(1,569)	(10)%
<b>Gain/(Loss) on disposal of property, plant and equipment, investment properties and interests in leasehold land</b>	<b>11</b>	(2)	(23)	N/A
<b>Restructuring costs</b>	<b>—</b>	—	(6)	N/A
<b>Other gains/(losses), net</b>	<b>55</b>	98	(56)	(44)%
<b>Losses on property, plant and equipment</b>	<b>(2)</b>	—	(11)	N/A
<b>Segment results<sup>1, 3</sup></b>				
TSS	2,392	2,401	2,549	0%
TV & Content	(150)	(211)	(228)	29%
Mobile	(361)	(292)	(409)	(24)%
PCCW Solutions	73	62	46	18%
Other Businesses	(422)	(380)	(659)	(11)%
<b>Total segment results (excluding PCPD)</b>	<b>1,532</b>	1,580	1,299	(3)%
PCPD	531	701	211	(24)%
<b>Consolidated segment results<sup>3</sup></b>	<b>2,063</b>	2,281	1,510	(10)%

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Note 1 Certain comparative figures have been restated to conform with the business segment presentation in the current period:

- The Group's directories business, previously included in Other Businesses, has been reclassified to TV & Content.
- Certain IP-based international connectivity products and services, previously included in TSS-Other Services, have been reclassified to TSS-International Telecommunications Services.

Note 2 EBITDA represents earnings before interest income, finance costs, income tax, depreciation, amortization, gain/loss on disposal of property, plant and equipment, investment properties and interests in leasehold land, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on interests in jointly controlled companies and associates and the Group's share of results of jointly controlled companies and associates. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.

Note 3 Segment results represent earnings before interest income, finance costs, income tax, impairment losses on interests in jointly controlled companies and associates and the Group's share of results of jointly controlled companies and associates.

Note 4 Year-on-year percentage change was based on absolute percentage change.

Note 5 The market share figures for the six months ended June 30, 2007 are provisional.

Note 6 As of period end, with exception of International Direct Dial ("IDD") minutes, which is the total for the period.

Note 7 Gross debt refers to the principal amount of short-term borrowings and long-term liabilities. Net debt refers to the principal amount of short-term borrowings and long-term liabilities minus cash and cash equivalents and certain restricted cash.

Note 8 Group capital expenditure includes additions to property, plant and equipment, investment properties and interests in leasehold land held for own use. Interests in leasehold land held for development of HK\$nil (June 30, 2006: HK\$495 million) are excluded.

OPERATING DRIVERS<sup>6</sup>

	June 30, 2007	June 30, 2006	December 31, 2006	Better/ (Worse)	
				y-o-y	h-o-h
Exchange lines in service ('000)	<b>2,590</b>	2,579	2,587	0%	0%
Business lines ('000)	<b>1,183</b>	1,176	1,180	1%	0%
Residential lines ('000)	<b>1,407</b>	1,403	1,407	0%	0%
Fixed line market share <sup>4, 5</sup>					
Business lines	<b>69%</b>	70%	69%	(1)%	0%
Residential lines	<b>66%</b>	66%	66%	0%	0%
Total broadband access lines ('000)	<b>1,176</b>	998	1,117	18%	5%
(Consumer, business and wholesale customers)					
Retail consumer broadband subscribers ('000)	<b>1,005</b>	840	952	20%	6%
Retail business broadband subscribers ('000)	<b>104</b>	94	99	11%	5%
Consumer narrowband subscribers ('000)	<b>117</b>	132	122	(11)%	(4)%
Traditional data (Exit Gbps)	<b>614</b>	351	485	75%	27%
Retail IDD minutes ('M mins)	<b>944</b>	819	906	15%	4%
International Private Leased Circuit ("IPLC") bandwidth (Exit Mbps)	<b>47,098</b>	15,489	22,994	204%	105%
Mobile subscribers ('000)	<b>957</b>	781	921	23%	4%
3G post-paid ('000)	<b>119</b>	—	55	N/A	116%
2G post-paid ('000)	<b>462</b>	491	516	(6)%	(10)%
2G prepaid ('000)	<b>376</b>	290	350	30%	7%
now TV					
Installed base ('000)	<b>818</b>	608	758	35%	8%
Paying base ('000)	<b>560</b>	444	501	26%	12%

## TSS

The table below sets out the financial performance of TSS for the six months ended June 30, 2007 and June 30, 2006:

For the six months ended HK\$ million	June 30, 2007	June 30, 2006	December 31, 2006	Better/ (Worse) y-o-y
Local Telephony Services	2,343	2,352	2,336	0%
Local Data Services	2,214	2,092	2,159	6%
International Telecommunications Services <sup>1</sup>	1,591	1,394	1,497	14%
Other Services <sup>1</sup>	1,558	1,567	1,977	(1)%
<b>TSS Revenue</b>	<b>7,706</b>	7,405	7,969	4%
Cost of sales	(2,466)	(2,065)	(2,219)	(19)%
Operating costs before depreciation and amortization	(1,809)	(1,926)	(2,161)	6%
<b>TSS EBITDA<sup>2</sup></b>	<b>3,431</b>	3,414	3,589	1%
<b>TSS EBITDA Margin<sup>2,4</sup></b>	<b>45%</b>	46%	45%	(1)%

TSS returned to growth in the first half of 2007. Revenue for the six months ended June 30, 2007 increased by 4% year-on-year to HK\$7,706 million. International telecommunications and local data services revenues grew at a healthy pace while local telephony and other services revenues remained stable. EBITDA remained stable at HK\$3,431 million.

*Local Telephony Services.* Local telephony services revenue for the six months ended June 30, 2007 continued to be stable at HK\$2,343 million.

The number of direct exchange lines operated by the Group held steady at 2,590,000 during the first half of 2007, as PCCW strategically managed net fixed-line gain and maintained a stable market share of approximately 66% for residential lines and 69% for business lines, in an environment of modest growth in the Hong Kong fixed-line market. ARPU also remained stable during the period.

*Local Data Services.* Local data services revenue for the six months ended June 30, 2007 increased by 6% year-on-year to HK\$2,214 million, reflecting improvements in both broadband network and local data revenue.

Strong growth of broadband network revenue was led by a double-digit rise in revenue from retail consumer and business broadband services, while revenue from retail narrowband and wholesale broadband declined. The pricing for consumer broadband Internet access products and services stabilized during the course of the period.

NETVIGATOR maintained its market leadership in broadband access while the total broadband access lines increased by 18%

year-on-year to 1,176,000 at the end of June 2007. The strong rise was supported by the growth momentum of **NOW TV**, and by rising demand for the Group's Internet value-added services. The photo and video file-sharing service, **snaap!**, was launched on the Group's quadruple-play platforms during the period.

Local data revenue grew at a healthy pace as customer demand for bandwidth grew on increasing deployment of high bandwidth applications. This has resulted in a 75% year-on-year jump in bandwidth sold, which more than offset the impact from price compression.

*International Telecommunications Services<sup>1</sup>.* International Telecommunications Services revenue for the six months ended June 30, 2007 increased by 14% year-on-year to HK\$1,591 million. The revenue increase was led by growth in wholesale business for both traditional and IP-based international connectivity services, e.g. the Asia Pacific and the Middle East. Strong traffic growth more than offset the impact from lower prices during the period. IPLC bandwidth grew strongly by 105% during the six-month period to 47,098 Mbps. Retail IDD minutes increased by 15% year-on-year to 944 million minutes. Though retail IDD prices declined further during the period, downward pressure is easing.

*Other Services<sup>1</sup>.* Other services revenue for the six months ended June 30, 2007 decreased marginally by 1% year-on-year to HK\$1,558 million. Revenue from CASCADE during the period was lower compared to a year ago primarily due to the timing of contract completions. This more than offset higher revenues from computer and customer premise equipment sales and growth of the Teleservices (i.e. contact centers) business.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

## TV &amp; Content

For the six months ended HK\$ million	June 30, 2007	June 30, 2006	December 31, 2006	Better/ (Worse) y-o-y
<b>TV &amp; Content Revenue<sup>1</sup></b>	<b>715</b>	505	497	42%
<b>TV &amp; Content EBITDA<sup>1, 2</sup></b>	<b>(74)</b>	(155)	(156)	52%

Revenue from TV & Content surged 42% year-on-year to HK\$715 million for the six months ended June 30, 2007. NOW TV's strong growth momentum contributed to more than halving the segment's EBITDA loss to HK\$74 million.

At the end of June 2007, NOW TV installed services hit 818,000, up by 35% from a year earlier. The paying base reached 560,000 while ARPU climbed a further 19% from December 2006 to HK\$166 per month.

The strong improvement in ARPU during the first half of 2007 was in part due to the popular demand for the Mega Sports Pack which had a promotional retail price of HK\$178 prior to August 2007 and is currently retailing at HK\$218. Further, more customers are subscribing to higher value mini-packs and super value plans, which also helped to increase ARPU.

The Mega Sports Pack, launched in March 2007, offers the strongest line-up of major international sporting events in Hong Kong. The Pack features premier football competitions including the Barclays Premier League beginning in August 2007, the UEFA Champions League, the FA Cup, the Italian Serie A, and Japan's J-League. Other sporting events also featured include the National Basketball Association, the National Hockey League, Major League Baseball, Formula 1 Grand Prix, Wimbledon tennis, and major volleyball and snooker tournaments.

As part of our quadruple-play strategy, the NOW SPORTS channels were also launched on PCCW mobile, now.com.hk and

the new PCCW eye multimedia service platform. For example, the Barclays Premier League live matches can be viewed on all four quadruple-play platforms beginning in August 2007.

NOW TV's content line-up continued to grow in variety reaching 143 local and international channels at the end of June 2007, including 71 exclusive world-class movie, sports, news and general entertainment channels.

During the first half of 2007, the Group's directories business was integrated with the NOW TV advertising and NOW shop merchandising and transaction units. The integrated Advertising and Interactive Services operation explores and develops new revenue opportunities from interactive advertising, merchandising and a variety of transaction-based services. One such initiative was the recent launch of the Hang Seng TV Securities Trading Service, the first such service in Hong Kong, allowing personal e-banking customers with securities accounts to trade local securities on two NOW TV channels.

now.com.hk continued to bring high-quality value-added services exclusively to PCCW's broadband customers. At the end of June 2007, 238,000 NETVIGATOR customers subscribed to the service, an increase of 4% from December 2006. During the first half of 2007, MOOV, the largest digital music service in Hong Kong, strengthened its music library to over 100,000 songs and music videos. MOOV's popularity contributed to an increase in the ARPU of now.com.hk during the period. The MOOV service is now available on the NETVIGATOR broadband, PCCW mobile and PCCW eye multimedia service platforms.

## Mobile

For the six months ended HK\$ million	June 30, 2007	June 30, 2006	December 31, 2006	Better/ (Worse) y-o-y
<b>Mobile Revenue</b>	<b>668</b>	585	651	14%
<b>Mobile EBITDA<sup>2</sup></b>	<b>(56)</b>	(70)	(116)	20%

Revenue from Mobile increased by 14% year-on-year to HK\$668 million for the six months ended June 30, 2007, reflecting contribution from a growing 3G subscriber base with a higher ARPU. Mobile EBITDA loss narrowed by 20% year-on-year to HK\$56 million in the first half of 2007.

The Group continued to enhance its mobile network quality and coverage, with around 1,500 cell sites for 3G and a similar number for 2G in place at the end of June 2007. Leveraging on the Group's overall large customer base and extensive distribution channels, total mobile subscribers increased by 23% year-on-year to 957,000 at the end of June 2007. Our 3G subscriber base more than doubled from 55,000 at the end of December 2006 to 119,000 at the end of June 2007. The total 2G subscriber base increased by 7% year-on-year though the number of 2G post-paid subscribers decreased primarily as a result of our efforts to improve customer quality and ARPU.

The ARPU of our 3G service increased by 14% from the end of December 2006 to HK\$229 at the end of June 2007 due to increasing uptake of value-added services. This, together with a growing contribution from an increasingly larger 3G subscriber base, have resulted in an improvement in Mobile's blended (2G and 3G) post-paid ARPU, which increased by 7% from the end of December 2006 to HK\$158 at the end of June 2007.

Efforts to expand 3G ARPU and increase the appeal of mobile value-added services to a wider customer base continued in earnest. In addition to **snaap!**, PCCW mobile further enriched the customer experience through the launch in April 2007 of "NOW SPORTS on mobile", featuring exclusive premier sports content and world-class live sporting events. The total number of sports, general entertainment and news channels offered by "NOW on mobile" and "NOW SPORTS on mobile" reached 20 in August 2007. PUSH eMail and the ONE communications integrated fixed/mobile solution were also launched, targeting the commercial market.

## PCCW Solutions

For the six months ended HK\$ million	June 30, 2007	June 30, 2006	December 31, 2006	Better/ (Worse) y-o-y
<b>PCCW Solutions Revenue</b>	<b>826</b>	737	915	12%
<b>PCCW Solutions EBITDA<sup>2</sup></b>	<b>102</b>	83	68	23%

PCCW Solutions revenue for the six months ended June 30, 2007 increased by 12% year-on-year to HK\$826 million. EBITDA increased by 23% year-on-year to HK\$102 million.

During the first half of 2007, PCCW Solutions was awarded significant contracts that strengthen its recurring revenue base. Major contracts awarded include a 7-year data center and related services contract from one of the major healthcare organizations in Hong Kong, and a 10-year contract from the Hong Kong Police Force for the design, installation, and maintenance of the Versatile Maritime Policing Response System. Sino Land Company Limited also placed a contract for the design, supply and installation of an LED video wall and Display Control System for CityWall – Vision City in Tsuen Wan.

PCCW Solutions continued to expand its services beyond Hong Kong. It was awarded an application development-outsourcing contract from MTR Corporation Limited to develop and deploy a Maintenance Management Information System for its railway projects in mainland China; and a contract from a renowned luxury brand for the provision of Point of Sales/Customer Relations Management Solutions for two of its cosmetic brands across the Asia Pacific region.

In recognition of the unit's superior outsourcing services, two IT Outsourcing Awards were conferred on PCCW Solutions, one by the *21<sup>st</sup> Century Business Herald*, a major China business newspaper, and the other by *Computerworld Hong Kong* magazine. These accolades reinforce the reputation of PCCW Solutions as the leading IT outsourcing provider in the Greater China region.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**PCPD**

PCPD revenue for the six months ended June 30, 2007 decreased by 60% year-on-year to HK\$2,100 million, reflecting lower revenue recognized from property completion in the Bel-Air project. In the first half of 2007, EBITDA declined by 24% year-on-year to HK\$541 million.

The luxury residential market continued to demonstrate strong growth, which was evidenced by PCPD's sales success following the launch of Bel-Air No.8 in March 2007. The telephone exchange redevelopment project at Wo Fung Street, west of Central, Hong Kong continued to make progress, and pre-sales are expected by the end of 2007. In mainland China, development work for the prestigious residential project at Pacific Century Place in the Chaoyang District, Beijing commenced in the first half of 2007, and the project is expected to complete in 2009.

**COSTS****Cost of Sales**

For the six months ended HK\$ million	June 30, 2007	June 30, 2006	December 31, 2006	Better/ (Worse) y-o-y
<b>The Group (excluding PCPD)</b>	<b>3,787</b>	3,131	3,478	(21)%
PCPD	1,412	4,424	1,653	68%
<b>Group Consolidated Total</b>	<b>5,199</b>	7,555	5,131	31%

The Group's consolidated total cost of sales for the six months ended June 30, 2007 declined by 31% year-on-year to HK\$5,199 million, due primarily to a 68% decline in PCPD's cost of sales to HK\$1,412 million on lower recognition of sales of Bel-Air residential units. The Group's cost of sales excluding PCPD

For more information about the performance of PCPD, please refer to its 2007 interim results released on August 29, 2007.

**Other Businesses**

Other Businesses primarily includes the Group's telecommunications business in Taiwan, its wireless broadband business in the United Kingdom, and all corporate support functions. Revenue from Other Businesses increased by 2% year-on-year to HK\$165 million for the six months ended June 30, 2007.

**Eliminations**

Eliminations were HK\$573 million for the six months ended June 30, 2007. Eliminations primarily relate to internal charges for telecommunications services consumed, IT support and computer system network charges, customer support services and rental among the Group's business units.

increased by 21% year-on-year to HK\$3,787 million, reflecting a higher cost of sales for TSS that was in line with its revenue growth, and higher content and customer acquisition costs for the TV & Content and Mobile businesses.



## General and Administrative Expenses

For the six months ended HK\$ million	June 30, 2007	June 30, 2006	December 31, 2006	Better/ (Worse) y-o-y
Staff costs	1,342	1,444	1,545	7%
Rent, rates and utilities	469	437	439	(7)%
Other operating costs	988	1,036	1,223	5%
Total operating costs before depreciation, amortization and restructuring costs	2,799	2,917	3,207	4%
Depreciation and amortization	1,610	1,467	1,569	(10)%
(Gain)/Loss on disposal of property, plant and equipment, investment properties and interests in leasehold land	(11)	2	23	N/A
Restructuring costs	–	–	6	N/A
General and administrative expenses	4,398	4,386	4,805	0%

General and administrative expenses for the six months ended June 30, 2007 remained stable at HK\$4,398 million. Total operating costs before depreciation, amortization and restructuring costs declined by 4% year-on-year to HK\$2,799 million primarily due to greater efficiency from fully integrating the mobile operations into the Group. However, higher costs were incurred for TV & Content as business activities increased during the period.

Depreciation and amortization increased by 10% year-on-year to HK\$1,610 million, reflecting the depreciation of the 3G mobile network.

### EBITDA<sup>2</sup>

Core EBITDA for the six months ended June 30, 2007 increased by 4% year-on-year to HK\$3,068 million, as TSS EBITDA increased by 1% to HK\$3,431 million, PCCW Solutions EBITDA increased by 23% to HK\$102 million, and the EBITDA losses of TV & Content and Mobile were greatly reduced. The significant improvement in the TV & Content and Mobile results reflected progress in moving beyond the early stage of the business life cycle, while the PCCW Solutions EBITDA increase was due to improved margins of contracts completed and worked-on during the period.

Consolidated EBITDA including PCPD decreased by 1% year-on-year to HK\$3,609 million, due primarily to a 24% year-on-year decline in PCPD EBITDA to HK\$541 million on lower recognition of Bel-Air sales.

Consolidated EBITDA margin improved by 5 percentage points to 31% in the first half of 2007 from 26% in the first half of 2006, as the PCPD margin improved. Core EBITDA margin and TSS EBITDA margin remained relatively stable at 32% and 45%, respectively.

### Other Gains, Net

Net other gains decreased to HK\$55 million for the six months ended June 30, 2007 from HK\$98 million in the first half of 2006. The net gains for the first half of 2007 primarily included net realized gains on derivative financial instruments. The net gains in the first half of 2006 primarily included a write back of a provision for loss on legal claims, which was partially offset by net realized and unrealized losses on derivative financial instruments.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Segment Results<sup>3</sup>**

Core segment results, which exclude PCPD, were 3% lower than the corresponding period a year ago at HK\$1,532 million, as higher depreciation and amortization charges and lower net other gains offset a 4% year-on-year rise in core EBITDA, as mentioned above.

Consolidated segment results including PCPD declined by 10% year-on-year to HK\$2,063 million due primarily to the 24% year-on-year reduction in the PCPD segment result to HK\$531 million and the 3% reduction in core segment results.

**Interest Income and Finance Costs**

Finance costs decreased by 9% year-on-year to HK\$846 million for the six months ended June 30, 2007 due to the repayment of the US\$450 million guaranteed convertible bonds and the US\$456 million guaranteed notes in January 2007. Interest income decreased by 24% year-on-year to HK\$236 million. Net finance cost remained stable during the period. Average cost of debt for the six months ended June 30, 2007 improved to 6% and average debt maturity was approximately 5 years.

**Share of Results of Jointly Controlled Companies and Associates**

Share of net losses of jointly controlled companies and associates was HK\$1 million for the six months ended June 30, 2007 (June 30, 2006: a profit of HK\$18 million), which was mainly due to the share of losses from 網通寬帶網絡有限責任公司, a jointly controlled company, in the first half of 2007. The share of results of associates for the first half of 2006 primarily included the share of profits from Great Eastern Telecommunications Limited.

**Taxation**

Taxation expenses for the six months ended June 30, 2007 decreased by 38% year-on-year to HK\$377 million and the Group's effective tax rate for the six months ended June 30, 2007 was 26% (June 30, 2006: 36%). The reduction of taxation expenses and effective tax rate was mainly due to the recognition of deferred tax assets for tax losses and a reduction of the corporate income tax rate in the People's Republic of China (see Note 6 to the unaudited condensed consolidated financial statements for details). This rate is higher than the statutory tax rate of 17.5%, mainly due to the fact that losses of some companies cannot be offset against profits of other companies for Hong Kong tax purposes and the disallowance of financing costs relating to the financing of non-income-producing assets. Excluding these factors, the Group would have an effective tax rate around the statutory tax rate of 17.5%.

**Minority Interests**

Minority interests of HK\$253 million primarily represented the net profit attributable to the minority shareholders of PCPD.

**Profit Attributable to Equity Holders of the Company**

Profit attributable to equity holders of the Company for the six months ended June 30, 2007 increased by 3% from the corresponding period a year ago to HK\$822 million (June 30, 2006: HK\$796 million).

**LIQUIDITY AND CAPITAL RESOURCES**

Net cash generated from operating activities for the six months ended June 30, 2007 increased to HK\$1,899 million (June 30, 2006: HK\$1,497 million) primarily due to lower tax paid and higher receipts from the Cyberport project during the period.

The Group's gross debt<sup>7</sup> totaled HK\$27,775 million as at June 30, 2007 (December 31, 2006: HK\$28,977 million). Cash and cash equivalents decreased to HK\$4,538 million (December 31, 2006: HK\$4,951 million). The Group's net debt<sup>7</sup> was HK\$21,765 million as at June 30, 2007 compared to HK\$19,725 million as at December 31, 2006. The increase in net debt was mainly due to the payment of the 2006 final dividend and investments made during the period.

The Group continued to prudently manage its debt profile. On January 24, 2007, the Group exercised an option under the US\$456 million 7.88% guaranteed notes due 2013 and redeemed the notes in full. On January 29, 2007, the Group further redeemed in full the US\$450 million 1% guaranteed convertible bonds upon maturity.

As at June 30, 2007, the Group had a total of HK\$16,724 million in committed banking facilities available for liquidity and debt retirement, of which HK\$4,550 million remained undrawn.

The Cyberport project continued to generate surplus proceeds from the sale of Bel-Air units. Net surplus proceeds distributed to the Group over the course of the Cyberport project have totaled HK\$4,624 million, including HK\$992 million received in the first half of 2007.

The Group's gross debt<sup>7</sup> to total assets improved to 56% as at June 30, 2007.

### Credit Ratings of PCCW-HKT Telephone Limited

In July 2007, subsequent to a review of the Group's strategy and the performance of its core business, all three rating agencies revised the rating outlook on PCCW-HKT Telephone Limited ("HKTC"), an indirect wholly-owned subsidiary of the Company, and affirmed their investment grade ratings assigned to HKTC as follows:

- Moody's Investors Service revised the outlook to positive from stable and affirmed the rating at Baa2;
- Standard & Poor's Ratings Services revised the outlook to positive from stable and affirmed the rating at BBB; and
- Fitch Ratings revised the outlook to stable from negative and affirmed the rating at BBB+.

### CAPITAL EXPENDITURE<sup>8</sup>

Group capital expenditure for the six months ended June 30, 2007 decreased to HK\$1,036 million (June 30, 2006: HK\$1,070 million). The majority of capital expenditure was spent on meeting the demand for new products and services, such as NOW TV, broadband network expansion, mobile network enhancement and new initiatives, including the next generation fixed-line services.

PCCW has made significant investments in its fixed-line and mobile networks in previous years. These include the upgrade and expansion of network coverage, and the building of a platform for broadband and fast developing IP initiatives. PCCW will continue to invest prudently, using assessment criteria including internal rate of return, net present value and payback period.

### HEDGING

Market risk arises from foreign currency and interest rate exposure related to cash investments and borrowings. As a matter of policy, the Group continues to manage the market risk directly relating to its operations and financing and does not undertake any speculative derivative trading activities. The Finance and Management Committee, a sub-committee of the Executive Committee of the Board, determines appropriate risk management activities with the aim of prudently managing the market risk associated with transactions undertaken in the normal course of the Group's business. All treasury risk management activities are carried out in accordance with the policies and guidelines approved by the Finance and Management Committee and the Executive Committee, which are reviewed on a regular basis.

In the normal course of business, the Group enters into forward contracts and other derivative contracts in order to limit its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions, and all contracts are denominated in currencies of major industrial countries. As at June 30, 2007, all cross currency swap contracts were designated as cash flow hedges for the Group's foreign currency denominated long-term liabilities.

### CHARGE ON ASSETS

As at June 30, 2007, certain assets of the Group with an aggregate carrying value of HK\$1,454 million (December 31, 2006: HK\$119 million) were pledged to secure loans and banking facilities of the Group.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

## CONTINGENT LIABILITIES

HK\$ million	As at	As at
	June 30, 2007 (Unaudited)	December 31, 2006 (Audited)
Performance guarantee	616	611
Others	102	29
	<b>718</b>	640

- a. HKTC is in dispute with Hong Kong's Inland Revenue Department (the "IRD") regarding the deductibility of certain finance expenses. The IRD had raised assessments for part of the disputed finance expenses for the years of assessment 2000/01 to 2005/06 on April 21, 2005, February 3, 2006 and February 5, 2007. HKTC had lodged objections to the assessments and requested to hold over the tax assessed through the purchase of Tax Reserve Certificates. Based on the information available to the Group to date, HKTC has made a provision based on the best estimate of the amount that may ultimately be required to settle the dispute. The unprovided tax expense as at June 30, 2007 in respect of the subject dispute was approximately HK\$220 million (December 31, 2006: HK\$192 million). The Directors consider that the impact of any unprovided amounts which may materialize is immaterial.

- b. 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, 2007, the Group had approximately 15,354 employees (June 30, 2006: 14,453). About three quarters of these employees work in Hong Kong and the others are based outside of Hong Kong, primarily in mainland China. The Company has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve the Company's business performance targets. Payment of bonuses is generally based on achievement of EBITDA<sup>2</sup> and net profit after tax target for the Group as a whole, and revenue and EBITDA<sup>2</sup> targets for the Company's individual businesses. The Company also operates a discretionary employee share option scheme and two share award schemes to motivate employee performance to enhance shareholders' value.

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of 6.5 HK cents (June 30, 2006: 6.5 HK cents) per share for the six months ended June 30, 2007 to shareholders of the Company whose names appear on the Register of Members of the Company on September 27, 2007, payable on or around October 8, 2007.

# CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2007

In HK\$ million (except for earnings per share)	Note	2007 (Unaudited)	2006 (Unaudited)
Turnover	3	11,607	14,124
Cost of sales		(5,199)	(7,555)
General and administrative expenses		(4,398)	(4,386)
Other gains, net	4	55	98
Losses on property, plant and equipment		(2)	–
Interest income		236	312
Finance costs		(846)	(928)
Share of results of jointly controlled companies		(8)	–
Share of results of associates		7	18
Profit before taxation	5	1,452	1,683
Income tax	6	(377)	(609)
Profit for the period	3	1,075	1,074
Attributable to:			
Equity holders of the Company		822	796
Minority interests		253	278
Profit for the period		1,075	1,074
Interim dividend declared after the interim period	7(a)	440	438
Earnings per share	8		
Basic		12.16 cents	11.83 cents
Diluted		11.96 cents	11.79 cents

# CONSOLIDATED BALANCE SHEET

As at June 30, 2007

In HK\$ million	Note	As at June 30, 2007 (Unaudited)	As at December 31, 2006 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	16,107	16,497
Investment properties		3,761	3,639
Interests in leasehold land		627	1,140
Properties under development		808	2,039
Goodwill		3,140	3,140
Intangible assets		1,387	1,349
Interest in jointly controlled companies		320	10
Interest in associates		640	637
Held-to-maturity investments		7	12
Available-for-sale financial assets	14	615	496
Amounts due from related companies		12	16
Net lease payments receivable		114	203
Deferred tax assets		208	174
Other non-current assets		445	359
		<b>28,191</b>	29,711
<b>Current assets</b>			
Properties under development		6,795	1,231
Properties for sale		97	290
Sales proceeds held in stakeholders' accounts		3,472	3,472
Restricted cash	14	1,907	5,128
Prepayments, deposits and other current assets		1,747	1,361
Inventories		617	544
Amounts due from related companies		26	44
Derivative financial instruments		82	–
Financial assets at fair value through profit or loss		41	50
Accounts receivable, net	9	2,432	2,580
Tax recoverable		–	64
Cash and cash equivalents	14	4,538	4,951
		<b>21,754</b>	19,715

In HK\$ million	Note	As at June 30, 2007 (Unaudited)	As at December 31, 2006 (Audited)
<b>Current liabilities</b>			
Short-term borrowings		(12,174)	(13,995)
Derivative financial instruments		(20)	(555)
Accounts payable	10	(1,005)	(1,022)
Accruals, other payables and deferred income		(3,974)	(4,989)
Provisions		(1,463)	(1,914)
Mobile carrier licence fee liabilities		(63)	(58)
Amounts due to related companies		(607)	(886)
Gross amount due to customers for contract work		–	(7)
Advances from customers		(2,479)	(1,437)
Taxation		(398)	(794)
		<b>(22,183)</b>	(25,657)
<b>Net current liabilities</b>		<b>(429)</b>	(5,942)
<b>Total assets less current liabilities</b>		<b>27,762</b>	23,769
<b>Non-current liabilities</b>			
Long-term liabilities		(15,523)	(15,438)
Amounts due to minority shareholders of subsidiaries		(11)	(11)
Deferred tax liabilities		(2,047)	(2,179)
Deferred income		(1,084)	(1,015)
Defined benefit liability		(10)	(11)
Provisions		(4,581)	(1,591)
Mobile carrier licence fee liabilities		(567)	(539)
Other long-term liabilities		(46)	(86)
		<b>(23,869)</b>	(20,870)
<b>Net assets</b>		<b>3,893</b>	2,899
<b>CAPITAL AND RESERVES</b>			
Share capital	11	1,693	1,688
Deficit		(535)	(1,258)
<b>Equity attributable to equity holders of the Company</b>		<b>1,158</b>	430
<b>Minority interests</b>		<b>2,735</b>	2,469
<b>Total equity</b>		<b>3,893</b>	2,899

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2007

In HK\$ million	2007 (Unaudited)											Minority interests	Total equity
	Attributable to equity holders of the Company												
	Share capital	Share premium	Special capital reserve	Treasury stock	Employee share-based compensation reserve	Convertible note and bonds reserve	Currency translation reserve	Hedging reserve	Available-for-sale financial assets reserve	Deficit	Total		
At January 1, 2007	1,688	7,791	21,254	(37)	213	183	87	(447)	79	(30,381)	430	2,469	2,899
Translation exchange differences	-	-	-	-	-	-	113	-	-	-	113	51	164
Available-for-sale financial assets:													
– changes in fair value	-	-	-	-	-	-	-	-	44	-	44	-	44
Cash flow hedges:													
– effective portion of changes in fair value	-	-	-	-	-	-	-	529	-	-	529	-	529
– transfer from equity to income statement	-	-	-	-	-	-	-	(79)	-	-	(79)	-	(79)
Redemption of convertible bonds	-	-	-	-	-	(183)	-	-	-	183	-	-	-
Net gains recognized directly in equity	-	-	-	-	-	(183)	113	450	44	183	607	51	658
Profit for the period	-	-	-	-	-	-	-	-	-	822	822	253	1,075
Total recognized income for the period	-	-	-	-	-	(183)	113	450	44	1,005	1,429	304	1,733
Exercise of employee share options	5	96	-	-	-	-	-	-	-	-	101	-	101
Premium arising from exercise of employee share options	-	49	-	-	(49)	-	-	-	-	-	-	-	-
Awards of vested shares under share award schemes to employees	-	-	-	19	(19)	-	-	-	-	-	-	-	-
Employee share-based compensation	-	-	-	-	11	-	-	-	-	-	11	-	11
Movements in equity arising from capital transactions	5	145	-	19	(57)	-	-	-	-	-	112	-	112
	1,693	7,936	21,254	(18)	156	-	200	3	123	(29,376)	1,971	2,773	4,744
Dividend paid in respect of the previous year	-	-	-	-	-	-	-	-	-	(813)	(813)	-	(813)
Dividend paid to minority shareholders of a subsidiary in respect of the previous year	-	-	-	-	-	-	-	-	-	-	-	(51)	(51)
Increase in minority interests arising from decrease in holding in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	13	13
At June 30, 2007	1,693	7,936	21,254	(18)	156	-	200	3	123	(30,189)	1,158	2,735	3,893



In HK\$ million	2006 (Unaudited)									Minority interests	Total equity
	Attributable to equity holders of the Company										
	Share capital	Share premium	Special capital reserve	Employee share-based compensation reserve	Convertible note and bonds reserve	Currency translation reserve	Available- for-sale financial assets reserve	Deficit	Total		
At January 1, 2006	1,681	7,622	22,255	223	183	(55)	89	(31,388)	610	2,122	2,732
Translation exchange differences	-	-	-	-	-	50	-	-	50	14	64
Available-for-sale financial assets: - changes in fair value	-	-	-	-	-	-	12	-	12	-	12
Net gains recognized directly in equity	-	-	-	-	-	50	12	-	62	14	76
Profit for the period	-	-	-	-	-	-	-	796	796	278	1,074
Total recognized income for the period	-	-	-	-	-	50	12	796	858	292	1,150
Exercise of employee share options	3	57	-	-	-	-	-	-	60	-	60
Premium arising from exercise of employee share options	-	26	-	(26)	-	-	-	-	-	-	-
Employee share-based compensation	-	-	-	28	-	-	-	-	28	(2)	26
Movements in equity arising from capital transactions	3	83	-	2	-	-	-	-	88	(2)	86
	1,684	7,705	22,255	225	183	(5)	101	(30,592)	1,556	2,412	3,968
Dividend paid in respect of the previous year	-	-	(634)	-	-	-	-	(174)	(808)	-	(808)
Dividend paid to minority shareholders of a subsidiary in respect of the previous year	-	-	-	-	-	-	-	-	-	(51)	(51)
At June 30, 2006	1,684	7,705	21,621	225	183	(5)	101	(30,766)	748	2,361	3,109

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended June 30, 2007

In HK\$ million	<b>2007</b> <b>(Unaudited)</b>	2006 (Unaudited)
Net cash generated from operating activities	<b>1,899</b>	1,497
Net cash used in investing activities	<b>(2,916)</b>	(998)
Net cash generated from/(used in) financing activities	<b>638</b>	(4,639)
Decrease in cash and cash equivalents	<b>(379)</b>	(4,140)
Exchange realignment	<b>(34)</b>	35
Cash and cash equivalents at January 1	<b>4,951</b>	9,679
Cash and cash equivalents at June 30	<b>4,538</b>	5,574
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	<b>6,451</b>	12,998
Bank overdrafts	<b>(6)</b>	(9)
Less: Restricted cash	<b>(1,907)</b>	(7,415)
	<b>4,538</b>	5,574

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2007

## 1 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of PCCW Limited (the “Company”) and its subsidiaries (collectively the “Group”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited condensed consolidated financial statements have 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 auditor.

The preparation of the unaudited condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The accounting policies and methods of computation used in preparing these unaudited condensed consolidated financial statements are consistent with those followed in preparing the Group’s annual financial statements for the year ended December 31, 2006, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards, HKASs and Interpretations (“Int”) (collectively “new HKFRSs”) which are effective for accounting periods beginning on or after January 1, 2007:

- HK(IFRIC)-Int 8 Scope of HKFRS 2
- HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives
- HK(IFRIC)-Int 10 Interim Financial Reporting and Impairment

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

## 2 MATERIAL TRANSACTIONS

- a. On March 2, 2006, PCCW IMS China Development Company Limited (“PCCW IMS China”), an indirect wholly-owned subsidiary of the Company, as purchaser, initially entered into a sale and purchase agreement with China Network Communications Group Corporation (“China Netcom”), a state-owned enterprise established under the laws of the People’s Republic of China (the “PRC”), and 中國網絡通信(控股)有限公司, a state-owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of China Netcom, together as vendors, and 網通寬帶網絡有限責任公司 (“CNCBB”), a limited liability company established under the laws of the PRC and a subsidiary of China Netcom, as the target company, whereby PCCW IMS China agreed to acquire from the vendors an aggregate of 50% of the registered capital of CNCBB after the completion of CNCBB’s group reorganization at a consideration of RMB318 million, which was funded by internal resources of the Company and was paid according to an agreed payment schedule. On December 21, 2006, PCCW IMS China transferred all of its rights of and interests in the above sale and purchase agreement to PCCW Teleservices (Hong Kong) Limited (“PCCW Teleservices”), an indirect wholly-owned subsidiary of the Company. The transaction was completed, and on January 11, 2007, PCCW Teleservices became a shareholder of CNCBB.
- b. On January 24, 2007, PCCW Capital No. 3 Limited, an indirect wholly-owned subsidiary of the Company, redeemed in full the US\$456 million 7.88% guaranteed notes due 2013.
- c. On January 29, 2007, PCCW Capital No. 2 Limited, an indirect wholly-owned subsidiary of the Company, redeemed in full the US\$450 million 1% guaranteed convertible bonds due 2007 upon its scheduled maturity in cash, which was equivalent to 119.383% of the principal amount, plus accrued interest as at January 29, 2007, and not by conversion into ordinary shares of the Company.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2007

**3 SEGMENT INFORMATION**

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

For the six months ended June 30,	Telecommunications								Pacific Century Premium Developments				Other Businesses		Eliminations		Consolidated	
	Services		TV & Content		Mobile		PCCW Solutions		Limited									
	2007	2006	2007	2006*	2007	2006	2007	2006	2007	2006	2007	2006*	2007	2006	2007	2006		
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
<b>TURNOVER</b>	7,706	7,405	715	505	668	585	826	737	2,100	5,276	165	162	(573)	(546)	11,607	14,124		
<b>RESULTS</b>																		
Segment results	2,392	2,401	(150)	(211)	(361)	(292)	73	62	531	701	(422)	(380)	-	-	2,063	2,281		
Interest income															236	312		
Finance costs															(846)	(928)		
Share of results of jointly controlled companies and associates	(1)	18	-	-	-	-	-	-	-	-	-	-	-	-	(1)	18		
Profit before taxation															1,452	1,683		
Income tax															(377)	(609)		
Profit for the period															1,075	1,074		

\* Certain comparative figures have been restated to conform with the business segment presentation in the current period since the Group's directories business, previously included in Other Businesses, has been reclassified to TV & Content.

**4 OTHER GAINS, NET**

In HK\$ million	Six months ended	
	June 30, 2007 (Unaudited)	June 30, 2006 (Unaudited)
Net realized (losses)/gains on disposals of available-for-sale financial assets and financial assets at fair value through profit or loss	(21)	15
Net unrealized gains/(losses) on financial assets at fair value through profit or loss	3	(5)
Net realized and unrealized fair value gains/(losses) on derivative financial instruments	69	(19)
Dividend income	-	2
Write back of provision for loss on legal claims	-	105
Unclaimed dividend payable by a subsidiary written back	2	-
Others	2	-
	<b>55</b>	<b>98</b>

## 5 PROFIT BEFORE TAXATION

Profit before taxation is stated after crediting and charging the following:

In HK\$ million	Six months ended	
	June 30, 2007 (Unaudited)	June 30, 2006 (Unaudited)
Crediting:		
Revenue from properties sold	1,939	5,123
Gain on disposal of property, plant and equipment, investment properties and interests in leasehold land	11	–
Charging:		
Cost of sales, excluding properties sold	3,833	3,172
Cost of properties sold	1,366	4,383
Depreciation of property, plant and equipment	1,432	1,350
Amortization of intangible assets	165	104
Amortization of land lease premium	13	13
Loss on disposal of property, plant and equipment, investment properties and interests in leasehold land	–	2
Finance costs on borrowings	813	900
Staff costs	1,342	1,444

## 6 INCOME TAX

In HK\$ million	Six months ended	
	June 30, 2007 (Unaudited)	June 30, 2006 (Unaudited)
Current income tax:		
Hong Kong profits tax	534	699
Overseas tax	21	(26)
Recovery of deferred taxation	(178)	(64)
	377	609

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the period. Overseas taxation has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

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

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2007

**7 DIVIDENDS****a. Dividend attributable to the interim period**

In HK\$ million	Six months ended	
	June 30, 2007 (Unaudited)	June 30, 2006 (Unaudited)
Interim dividend declared after the interim period of 6.5 HK cents (2006: 6.5 HK cents) per ordinary share	440	438

At a meeting held on August 29, 2007, the directors declared an interim dividend of 6.5 HK cents per share for the year ending December 31, 2007. This interim dividend is not reflected as a dividend payable in these unaudited condensed consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ending December 31, 2007.

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

In HK\$ million	Six months ended	
	June 30, 2007 (Unaudited)	June 30, 2006 (Unaudited)
Final dividend in respect of the previous financial year approved and paid during the following interim period, of 12 HK cents (2006: 12 HK cents) per ordinary share	813	808

**8 EARNINGS PER SHARE**

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

Earnings (in HK\$ million)	Six months ended	
	June 30, 2007 (Unaudited)	June 30, 2006 (Unaudited)
Earnings for the purposes of basic and diluted earnings per share	822	796
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	6,758,086,867	6,730,527,364
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	111,466,808	20,738,311
Effect of awards of vested shares under the Company's share award schemes	3,731,974	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	6,873,285,649	6,751,265,675

The US\$450 million 1% guaranteed convertible bonds due 2007 outstanding as at June 30, 2006 had an anti-dilutive effect on the basic earnings per share for the six months ended June 30, 2006.

## 9 ACCOUNTS RECEIVABLE, NET

An aging analysis of accounts receivable is set out below:

In HK\$ million	<b>As at June 30, 2007 (Unaudited)</b>	As at December 31, 2006 (Audited)
0 – 30 days	1,687	1,759
31 – 60 days	314	370
61 – 90 days	152	143
91 – 120 days	110	111
Over 120 days	462	463
	<b>2,725</b>	2,846
Less: Impairment loss for doubtful debts	<b>(293)</b>	(266)
	<b>2,432</b>	2,580

Accounts receivable in respect of properties sold is payable by the purchasers pursuant to the terms of the sales contracts. Other accounts receivable has 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. Credit evaluations are performed on all customers requiring credit over a certain amount. Debtors who have overdue payable are requested to settle all outstanding balances before any further credit is granted.

## 10 ACCOUNTS PAYABLE

An aging analysis of accounts payable is set out below:

In HK\$ million	<b>As at June 30, 2007 (Unaudited)</b>	As at December 31, 2006 (Audited)
0 – 30 days	624	598
31 – 60 days	41	90
61 – 90 days	30	16
91 – 120 days	125	54
Over 120 days	185	264
	<b>1,005</b>	1,022

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2007

## 11 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, 2007	6,750,171,317	1,688
Exercise of employee share options (note a)	22,960,334	5
Balances as at June 30, 2007	6,773,131,651	1,693

- a. During the period, 15,600,334 and 7,360,000 employee share options were exercised by the eligible option holders at subscription prices of HK\$4.350 and HK\$4.475 respectively for a total cash consideration of HK\$100,797,453 resulting in the issue of an aggregate of 22,960,334 new ordinary shares of the Company of HK\$0.25 each.

## 12 CAPITAL COMMITMENTS

In HK\$ million	As at June 30, 2007 (Unaudited)	As at December 31, 2006 (Audited)
Authorized and contracted for	3,198	2,931
Authorized but not contracted for	2,573	1,968
	5,771	4,899



### 13 CONTINGENT LIABILITIES

In HK\$ million	<b>As at June 30, 2007 (Unaudited)</b>	As at December 31, 2006 (Audited)
Performance guarantee	<b>616</b>	611
Others	<b>102</b>	29
	<b>718</b>	640

- a. PCCW-HKT Telephone Limited (“HKTC”), an indirect wholly-owned subsidiary of the Company, is in dispute with Hong Kong’s Inland Revenue Department (the “IRD”) regarding the deductibility of certain finance expenses. The IRD had raised assessments for part of the disputed finance expenses for the years of assessment 2000/01 to 2005/06 on April 21, 2005, February 3, 2006 and February 5, 2007. HKTC had lodged objections to the assessments and requested to hold over the tax assessed through the purchase of Tax Reserve Certificates. Based on the information available to the Group to date, HKTC has made a provision based on the best estimate of the amount that may ultimately be required to settle the dispute. The unprovided tax expense as at June 30, 2007 in respect of the subject dispute was approximately HK\$220 million (December 31, 2006: HK\$192 million). The directors consider that the impact of any unprovided amounts which may materialize is immaterial.
- b. 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.

### 14 CHARGE ON ASSETS

As at June 30, 2007, certain assets of the Group with an aggregate carrying value of HK\$1,454 million (December 31, 2006: HK\$119 million) were pledged to secure loans and banking facilities of the Group.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2007

**15 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, 2007 (Unaudited)	June 30, 2006 (Unaudited)
Telecommunications service fees, rental charges, facility management services and subcontracting charges received or receivable from a jointly controlled company	a & c	62	62
Systems integration charges received or receivable from a shareholder of a PRC subsidiary	a	203	198
Telecommunications service fees and systems integration charges received or receivable from a substantial shareholder	a	77	13
Telecommunications service fees, outsourcing fees and rental charges paid or payable to a jointly controlled company	a & c	492	467
Telecommunications service fees paid or payable to a substantial shareholder	a	44	22
Key management compensation	b	83	52

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, 2007 (Unaudited)	June 30, 2006 (Unaudited)
Salaries and other short-term employee benefits	66	37
Post-employment benefits	2	2
Share-based compensation	15	13
	83	52

**c. Details of transactions with a jointly controlled company of a subsidiary (the "JV")**

On June 17, 2004, the Company and Telstra Corporation Limited ("Telstra") agreed to provide the JV with a revolving working capital loan facility with each of the Company and Telstra contributing up to US\$25 million (approximately HK\$195 million) to this facility. The facility is secured and will be repayable in full by the JV on December 31, 2007. The interest receivable under this facility is at London Interbank Offered Rate plus 250 basis points. As at June 30, 2007, no drawdown has been made by the JV under this facility (December 31, 2006: Nil).

On April 16, 2005, the Company agreed with Telstra and the JV on an operating model under which the JV would operate as an outsourcer of telecommunications network services for the Group and Telstra and its subsidiaries. During the six months ended June 30, 2007, the outsourcing fees paid or payable by the Group to the JV, determined on a cost plus basis, were HK\$397 million (2006: HK\$380 million).

## GENERAL INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at June 30, 2007, the directors and chief executive 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 corporation (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 of 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 executive of the Company.

Name of Director/ Chief Executive	Personal interests	Number of ordinary shares			Number of underlying shares held under equity derivatives	Total	Percentage of issued share capital
		Family interests	Corporate interests	Other interests			
Li Tzar Kai, Richard	-	-	250,109,824 <i>(Note 1(a))</i>	1,650,518,335 <i>(Note 1(b))</i>	-	1,900,628,159	28.06%
Alexander Anthony Arena	760,000	-	-	-	15,800,200 <i>(Note 2)</i>	16,560,200	0.24%
Peter Anthony Allen	253,200	-	-	-	4,629,200 <i>(Note 3)</i>	4,882,400	0.07%
Chung Cho Yee, Mico	1,176,260	18,455 <i>(Note 4)</i>	-	-	14,390,400 <i>(Note 3)</i>	15,585,115	0.23%
Lee Chi Hong, Robert	992,600 <i>(Note 5(a))</i>	511 <i>(Note 5(b))</i>	-	-	6,000,000 <i>(Note 3)</i>	6,993,111	0.10%
Sir David Ford	-	-	-	-	3,000,000 <i>(Note 3)</i>	3,000,000	0.04%
Prof Chang Hsin-kang	64,000	-	-	-	-	64,000	0.001%
Dr The Hon Sir Li Kwok Po, David	600,000	-	-	-	-	600,000	0.009%
Dr Fan Xingcha <i>(Note 6)</i>	-	-	-	-	7,000,000 <i>(Note 3)</i>	7,000,000	0.10%

#### Notes:

1. (a) Of these shares, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited, held 216,362,824 shares and Eisner Investments Limited held 33,747,000 shares. Li Tzar Kai, Richard owned 100% 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;
  - (ii) a deemed interest in 87,018,177 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 87,018,177 shares of the Company held by PCGH; and

## GENERAL INFORMATION (CONTINUED)

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION (CONTINUED)****1. Interests in the Company (continued)****Notes: (continued)**

1. (b) (continued)
  - (iii) a deemed interest in 1,526,773,301 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 75.33% interest. 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 1,526,773,301 shares of the Company held by PCRD.
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) 15,800,000 underlying shares in respect of share options granted by the Company to Alexander Anthony Arena as beneficial owner, details of which are set out in the section below headed "SHARE OPTION SCHEMES".
3. These interests represented the interests in underlying shares in respect of share options granted by the Company to these directors as beneficial owners, details of which are set out in the section below headed "SHARE OPTION SCHEMES".
4. These shares were held by the spouse of Chung Cho Yee, Mico.
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. Dr Fan Xingcha resigned as an Executive Director of the Company with effect from July 9, 2007.

**2. Interests in Associated Corporation of the Company**

The table below sets out the aggregate long positions in the shares and underlying shares of Pacific Century Premium Developments Limited ("PCPD") held by the directors and chief executive of the Company.

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

The above interests represented the interests in underlying shares in respect of share options granted by PCPD to the directors and chief executive of the Company as beneficial owners pursuant to PCPD's share option scheme, 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 executive 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.

## 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 (the “Board”) 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, 2007 are as follows:

#### A. 1994 Scheme

##### (1) Outstanding options at January 1, 2007 and at June 30, 2007

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 01.01.2007	Outstanding at 06.30.2007
<b>Director/Chief Executive</b>						
Alexander Anthony Arena	08.28.1999	08.17.2000 to 08.17.2004	08.17.2000 to 08.17.2009	11.7800	3,200,000	3,200,000
	08.26.2000	08.26.2001 to 08.26.2005	08.26.2001 to 08.26.2010	60.1200	1,600,000	1,600,000
	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	16.8400	1,600,000	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	08.28.1999	08.17.2000 to 08.17.2002	08.17.2000 to 08.17.2009	11.7800	272,000	272,000
	08.26.2000	08.26.2001 to 08.26.2005	08.26.2001 to 08.26.2010	60.1200	178,600	178,600
	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	16.8400	178,600	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
Chung Cho Yee, Mico	08.28.1999	08.17.2000 to 08.17.2004	08.17.2001 to 08.17.2009	11.7800	3,575,200	3,575,200
	08.26.2000	08.26.2001 to 08.26.2005	08.26.2001 to 08.26.2010	60.1200	1,060,000	1,060,000
	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	16.8400	1,060,000	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
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
So Chak Kwong, Jack (Note 8)	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	12,000,000	–

## GENERAL INFORMATION (CONTINUED)

## SHARE OPTION SCHEMES (CONTINUED)

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

## A. 1994 Scheme (continued)

## (1) Outstanding options at January 1, 2007 and at June 30, 2007 (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 01.01.2007	Outstanding at 06.30.2007
<b>Employees</b>						
In aggregate	08.17.1999 to 09.15.1999	(Note 3)	08.17.2000 to 08.17.2009	11.7800	6,289,858	5,984,658
	10.25.1999 to 11.23.1999	(Note 3)	10.25.2000 to 10.25.2009	22.7600	3,184,400	2,776,800
	02.08.2000 to 03.08.2000	02.08.2001 to 02.08.2003	02.08.2001 to 02.08.2010	75.2400	86,700	86,700
	08.26.2000 to 09.24.2000	(Note 4)	(Note 4)	60.1200	932,600	932,600
	10.27.2000 to 11.25.2000	(Note 5)	(Note 5)	24.3600	9,218,282	9,025,026
	01.22.2001 to 02.20.2001	(Note 6)	(Note 6)	16.8400	7,035,239	6,498,399
	02.20.2001	02.08.2002 to 02.08.2004	02.08.2002 to 02.08.2011	18.7600	86,700	86,700
	04.17.2001 to 05.16.2001	(Note 7)	(Note 7)	10.3000	1,122,560	1,072,880
	07.16.2001 to 09.15.2001	07.16.2002 to 07.16.2004	07.16.2002 to 07.16.2011	9.1600	272,680	257,240
	05.10.2002	(Note 3)	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	6,680,000	6,640,000
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	35,577,675	34,075,675
	09.16.2003	09.16.2004 to 09.16.2006	09.16.2004 to 09.14.2013	4.9000	177,000	157,000
Others	08.17.1999 to 09.15.1999	(Note 3)	08.17.2000 to 08.17.2009	11.7800	800,000	800,000
	08.26.2000 to 09.24.2000	(Note 4)	(Note 4)	60.1200	2,800,000	2,800,000
	01.22.2001 to 02.20.2001	(Note 6)	(Note 6)	16.8400	2,800,000	2,800,000
	10.15.2001 to 11.13.2001	10.15.2002 to 10.15.2004	10.15.2002 to 10.15.2011	8.6400	120,000	120,000
	10.11.2002	Fully vested on 10.11.2002	10.11.2002 to 10.10.2007	8.6165	1,200,000	1,200,000
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	3,333,334	1,000,000

**SHARE OPTION SCHEMES (CONTINUED)****1. Share Option Schemes of the Company (continued)****A. 1994 Scheme (continued)****(2) Options exercised during the six months ended June 30, 2007**

Name or category of participant	Date of grant (Note 1)	Vesting period (Note 1)	Exercisable period (Note 1)	Exercise price HK\$	Number of shares acquired on exercise of options	Weighted average closing price of the shares immediately before the dates on which the options were exercised HK\$
<b>Director/Chief Executive</b>						
So Chak Kwong, Jack (Note 8)	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	12,000,000	4.7100
<b>Employees</b>						
In aggregate	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	1,267,000	4.7857
<b>Others</b>						
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	2,333,334	4.7200

During the period under review, no share options were exercised by any directors or chief executive of the Company, employees of the Group or other participants save as disclosed above.

**(3) Options cancelled or lapsed during the six months ended June 30, 2007**

Name or category of participant	Exercise price HK\$	Number of options cancelled	Number of options lapsed
<b>Employees</b>			
In aggregate	11.7800	–	305,200
	22.7600	–	407,600
	24.3600	–	193,256
	16.8400	–	536,840
	10.3000	–	49,680
	9.1600	–	15,440
	6.1500	–	40,000
	4.3500	–	235,000
	4.9000	–	20,000

## GENERAL INFORMATION (CONTINUED)

## SHARE OPTION SCHEMES (CONTINUED)

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

## B. 2004 Scheme

## (1) Outstanding options at January 1, 2007 and at June 30, 2007

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 01.01.2007	Outstanding at 06.30.2007
<b>Director/Chief Executive</b>						
Alexander Anthony Arena	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	3,000,000	3,000,000
Peter Anthony Allen	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	2,000,000	2,000,000
Chung Cho Yee, Mico	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	3,000,000	3,000,000
Lee Chi Hong, Robert	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	1,000,000	1,000,000
Sir David Ford	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	2,000,000	2,000,000
So Chak Kwong, Jack (Note 8)	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	3,500,000	–
	09.15.2006	09.15.2007 to 09.15.2009	09.15.2007 to 09.14.2010	4.9240	25,000,000	–
Dr Fan Xingcha (Note 9)	09.01.2005	09.01.2006 to 09.01.2008	09.01.2006 to 08.31.2010	5.2500	7,000,000	7,000,000
<b>Employees</b>						
In aggregate	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	37,793,500	33,642,000

## (2) Options granted during the six months ended June 30, 2007

During the period under review, no share options were granted to any directors or chief executive of the Company or employees of the Group or other participants.



**SHARE OPTION SCHEMES (CONTINUED)****1. Share Option Schemes of the Company (continued)****B. 2004 Scheme (continued)****(3) Options exercised during the six months ended June 30, 2007**

Name or category of participant	Date of grant (Note 1)	Vesting period (Note 1)	Exercisable period (Note 1)	Exercise price HK\$	Number of shares acquired on exercise of options	Weighted average closing price of the shares immediately before the dates on which the options were exercised HK\$
<b>Director/Chief Executive</b>						
So Chak Kwong, Jack (Note 8)	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	3,500,000	4.7100
<b>Employees</b>						
In aggregate	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.4750	3,860,000	4.7627

During the period under review, no share options were exercised by any directors or chief executive of the Company, employees of the Group or other participants save as disclosed above.

**(4) Options cancelled or lapsed during the six months ended June 30, 2007**

Name or category of participant	Exercise price HK\$	Number of options cancelled	Number of options lapsed
<b>Employees</b>			
In aggregate	4.4750	–	291,500
	4.9240	–	25,000,000

**2. Share Option Schemes of Subsidiaries of the Company****A. 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.

## GENERAL INFORMATION (CONTINUED)

## SHARE OPTION SCHEMES (CONTINUED)

## 2. Share Option Schemes of Subsidiaries of the Company (continued)

## A. PCPD (continued)

Details of the share options outstanding under the 2003 PCPD Scheme and movements during the six months ended June 30, 2007 are as follows:

## 2003 PCPD Scheme

## (1) Outstanding options at January 1, 2007 and at June 30, 2007

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 01.01.2007	Outstanding at 06.30.2007
<b>Director/Chief Executive of the Company</b>						
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
So Chak Kwong, Jack (Note 8)	12.20.2004	Fully vested on 12.20.2004	12.20.2004 to 12.19.2014	2.375	5,000,000	–

As at June 30, 2007, 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 0.21% of the issued share capital of PCPD as at that date.

## (2) Options granted during the six months ended June 30, 2007

During the period under review, no share options were granted to any directors or chief executive of the Company or other participants (as defined in the 2003 PCPD Scheme).

## (3) Options exercised during the six months ended June 30, 2007

Name or category of participant	Date of grant (Note 1)	Vesting period (Note 1)	Exercisable period (Note 1)	Exercise price HK\$	Number of shares acquired on exercise of options	Weighted average closing price of the shares immediately before the date on which the options were exercised
						HK\$
So Chak Kwong, Jack (Note 8)	12.20.2004	Fully vested on 12.20.2004	12.20.2004 to 12.19.2014	2.375	5,000,000	2.460

During the period under review, no share options were exercised by any directors or chief executive of the Company, employees of the Group or other participants save as disclosed above.

## (4) Options cancelled or lapsed during the six months ended June 30, 2007

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.

## SHARE OPTION SCHEMES (CONTINUED)

### 2. Share Option Schemes of Subsidiaries of the Company (continued)

#### B. SUNDAY Communications Limited (Company Dissolved on March 30, 2007) ("SUNDAY")

SUNDAY, which was an indirect non wholly-owned subsidiary of the Company, adopted a share option scheme on March 1, 2000 (the "2000 SUNDAY Scheme"). On May 22, 2002, the shareholders of SUNDAY approved the adoption of a new share option scheme (the "2002 SUNDAY Scheme") and termination of the 2000 SUNDAY Scheme. On termination of the 2000 SUNDAY Scheme, no further share options had been granted thereunder. No share options were outstanding under the 2000 SUNDAY Scheme since August 9, 2005. The board of directors of SUNDAY could, at its discretion, grant share options to any eligible person to subscribe for shares of SUNDAY subject to the terms and conditions stipulated in the 2002 SUNDAY Scheme. No share options had been granted under the 2002 SUNDAY Scheme since its adoption. The 2002 SUNDAY Scheme was terminated upon completion of the voluntary winding up of SUNDAY on March 30, 2007.

#### Notes:

- All dates are shown month/day/year.
- 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 interim report. 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.
- These options vest in installments during a period starting from the first anniversary of the offer date of such options (the "Offer Date") and ending on either the third or fifth anniversary of the Offer Date inclusive.
- These options vest in installments during a period starting from: (i) May 26, 2001 and ending on May 26, 2003 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.
- These options vest in installments during a period starting from: (i) March 15, 2001 and ending on March 15, 2005 inclusive; or (ii) the first anniversary of the Offer Date and ending on the third 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.
- 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 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.
- 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.
- So Chak Kwong, Jack resigned as an Executive Director, Deputy Chairman and Group Managing Director of the Company with effect from April 30, 2007.
- Dr Fan Xingcha resigned as an Executive Director of the Company with effect from July 9, 2007.

## SHARE AWARD SCHEMES

In 2002, the Company and certain of its wholly-owned subsidiaries established two employee share incentive award schemes, namely the Purchase Scheme and the Subscription Scheme, under which employees of certain 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 on 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, 2007, no awards have been made to any directors and employees of the Company or its subsidiaries under these two schemes.

## GENERAL INFORMATION (CONTINUED)

## SHARE AWARD SCHEMES (CONTINUED)

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 executive 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, 2007, the following persons (other than any directors or chief executive 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	Percentage of issued share capital
<b>Interests</b>			
PCRD		1,526,773,301	22.54%
PCGH	1	1,613,791,478	23.83%
Star Ocean Ultimate Limited	2	1,613,791,478	23.83%
The Ocean Trust	2	1,613,791,478	23.83%
The Starlite Trust	2	1,613,791,478	23.83%
OS Holdings Limited	2	1,613,791,478	23.83%
Ocean Star Management Limited	2	1,613,791,478	23.83%
The Ocean Unit Trust	2	1,613,791,478	23.83%
The Starlite Unit Trust	2	1,613,791,478	23.83%
China Network Communications Group Corporation ("China Netcom")	3	1,343,571,766	19.84%

**Notes:**

- These interests represented (i) PCGH's beneficial interests in 87,018,177 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 75.33% of PCRD) in 1,526,773,301 shares held by PCRD.
- 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.
- China Netcom 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, 2007, the following persons (not being the directors or chief executive or substantial shareholders (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 of shareholder		Number of shares/underlying shares held	Percentage of issued share capital
<b>Interests</b>			
Ocean Star Investment Management Limited	<i>Note</i>	1,613,791,478	23.83%

**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 person (other than any directors or chief executive 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, 2007.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2007, 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 interim financial statements of the Group for the six months ended June 30, 2007. Such interim financial statements have not been audited but have been reviewed by the Company's auditor.

## MODEL CODE SET OUT IN APPENDIX 10 OF THE LISTING RULES

The Company has established its own code of conduct regarding securities transactions by directors and senior management, namely PCCW Code of Conduct for Securities Transactions by Directors and Senior Management (the “PCCW Code”) on terms no less exacting than the required standard set out in 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.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance and strives for a transparent, responsible and value-driven management focused on enhancing the value of the Company to its shareholders. The corporate governance principles of the Company place emphasis on upholding a high standard of ethics and integrity in all aspects of its business, and on ensuring 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 contained in Appendix 14 of the Listing Rules for the six months ended June 30, 2007.

## INVESTOR RELATIONS

### FINANCIAL CALENDAR

Announcement of 2007 Interim Results	August 29, 2007
Closure of Register of Members	September 24 – 27, 2007 (both dates inclusive)
Payment of 2007 interim dividend	October 2007
Announcement of 2007 Annual Results	March 2008

### 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 Pink Sheets' OTC Market in the United States. Each ADR represents 10 ordinary shares of the Company. Certain USD guaranteed notes issued by wholly-owned subsidiaries of the Company are listed on the Luxembourg Stock Exchange and the Singapore Exchange Securities Trading Limited.

The Company is subject to the regulations of the United States Securities and Exchange Commission.

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.

### INTERIM REPORT 2007

This interim report 2007 (the "Interim Report 2007") in both English and Chinese is now available in printed form and on the Company's website at [www.pccw.com](http://www.pccw.com).

Shareholders who:

- A) received the Interim Report 2007 by electronic means may request a printed copy, or
- B) received the Interim Report 2007 in either English or Chinese may request a printed copy of the other language version

by writing to the Company's Share Registrars at:

#### PCCW Limited

c/o Share Registrars  
Computershare Hong Kong Investor Services Limited  
Investor Communications Centre  
Rooms 1806-1807, 18th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong  
Fax: +852 2529 6087/+852 2865 0990  
Email: [hkinfo00008@computershare.com.hk](mailto:hkinfo00008@computershare.com.hk)

Shareholders who have chosen to receive the Interim Report 2007 by electronic means through the Company's website and who, for any reason, have difficulty in receiving or gaining access to the Interim Report 2007 will promptly, on written request to the Company's Share Registrars – Computershare Hong Kong Investor Services Limited, be sent the Interim Report 2007 in printed form free of charge.

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

### STOCK CODES

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

### INDEX CONSTITUENT

Hang Seng Index  
MSCI Index Series  
FTSE4Good Global Index

### SHARE INFORMATION

Board lot: 1,000 shares  
Issued shares as at June 30, 2007: 6,773,131,651 shares

### DIVIDENDS

Interim dividend per share for the six months ended June 30, 2007:

6.5 HK cents per ordinary share

### REGISTRARS

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Philana WY Poon

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### WEBSITE

[www.pccw.com](http://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, these forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of the directors and management of PCCW about the business, the industry and the 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 these forward-looking statements. Factors that could cause actual results to differ materially from those reflected in these forward-looking statements include:

- increased competition in the Hong Kong telecommunications market and the continuing negative effects from the regulatory constraints that apply to us;
- possible negative effects of potentially new regulatory developments;
- risks associated with our mobile business, including intense competition in the mobile telecommunications market and the funding and development of our 3G business;
- increased competition in the Hong Kong pay-television market;
- our ability to execute our business strategy, including our ability to enter into business combinations, strategic investments and acquisitions;
- our ability to secure or successfully implement new business opportunities or anticipated projects with China Netcom;
- risks related to loss of business to competitors of China Netcom;
- risks associated with PCPD, our property development and investment subsidiary, including the development of the Cyberport project and future property development plans;
- our ability to implement our business plan as a consequence of our substantial debt;
- our exposure to interest rate risk;
- risks associated with the expansion of our operations outside Hong Kong;
- our ability to introduce new technologies, to successfully respond to technological developments and to adapt existing technologies may be limited.

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**

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T: +852 2888 2888 F: +852 2877 8877 [www.pccw.com](http://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 (ADRs) on the Pink Sheets'  
OTC Market in the US (Ticker: PCCWY).

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