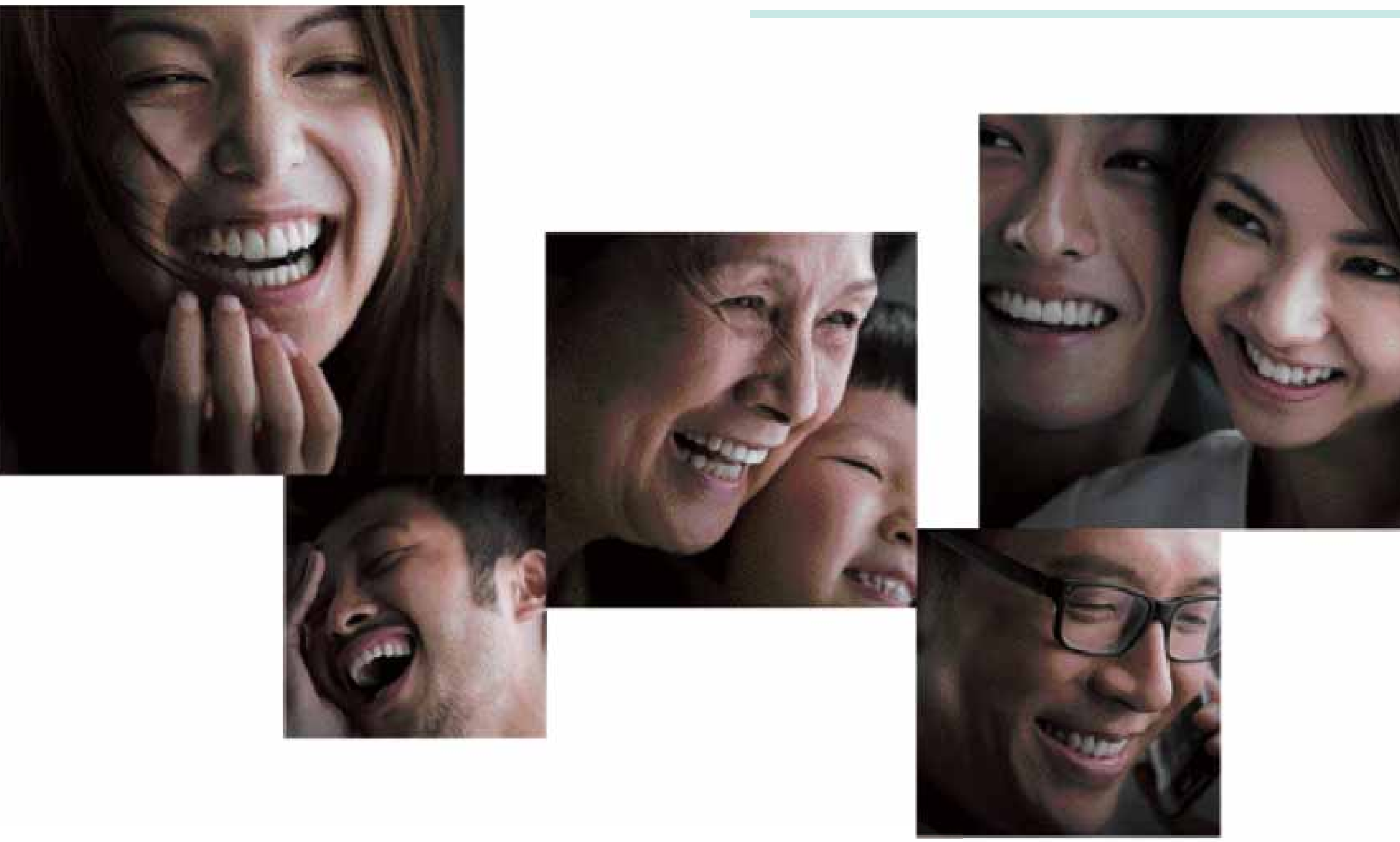
PCCW®

Interim Report 2010

Stock Code: 0008



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CORPORATE PROFILE

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

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

Employing approximately 18,700 staff, PCCW is headquartered in Hong Kong and maintains a presence in Europe, the Middle East, Africa, the Americas and mainland China, as well as other parts of Asia.

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

KEY FIGURES

FINANCIAL HIGHLIGHTS

For the six months ended June 30, 2010
In HK$ million (except for per share data)

	2010 (Unaudited)	2009 (Unaudited)
Turnover		
Core revenue*	**10,732**	10,468
PCPD	**1,070**	2,306
	11,802	12,774
Cost of sales	**(5,484)**	(6,431)
General and administrative expenses	**(4,482)**	(4,642)
Other gains/(losses), net	**34**	(12)
Finance costs, net	**(797)**	(736)
Share of results of associates and jointly controlled companies	**(13)**	(31)
Profit before income tax	**1,060**	922
Income tax	**(207)**	(174)
Profit for the period	**853**	748
Attributable to:		
Equity holders of the Company	**765**	654
Non-controlling interests	**88**	94
Earnings per share (in HK cents)		
Basic	**11.30**	9.66
Diluted	**11.30**	9.65
Dividend per share (in HK cents)		
Interim dividend	**5.10**	–
EBITDA[1]		
Core EBITDA*	**3,369**	3,284
PCPD	**353**	306
	3,722	3,590

OPERATION HIGHLIGHTS

	As at June 30, 2010	As at December 31, 2009
Exchange lines in service ('000)	**2,587**	2,588
Business lines ('000)	**1,180**	1,182
Residential lines ('000)	**1,407**	1,406
Traditional data (Exit Gbps)	**953**	837
International Private Leased Circuit bandwidth (Exit Mbps)	**88,108**	82,913
Total broadband access lines ('000)	**1,298**	1,297
now TV installed base ('000)	**1,028**	1,001
Mobile subscribers ('000)	**1,469**	1,422
3G post-paid ('000)	**606**	529
2G post-paid ('000)	**319**	376
2G prepaid ('000)	**544**	517

*Note: Please refer to page 11. Note 1: Please refer to page 13.

STATEMENT FROM THE CHAIRMAN

I am pleased to report satisfactory operating results of the Company in the first half of 2010.

The global economies continued on their paths of recovery this year, but optimism has been moderated by the debt crisis headlines in the Euro zone and concern about slowdown of the recovery in the U.S. towards the middle of the year. Locally, market activities have picked up from the trough of last year, although businesses are still cautious about committing to major IT and telecom investments.

Against this background, the Company has focused on operating as efficiently and prudently as possible while still growing its business as market circumstances allow. For the six months ended June 30, 2010, the Group recorded total revenues of HK$11,802 million. Profit attributable to its equity holders was HK$765 million, up 17% from that of a year ago.

Following a positive EBITDA in 2009, our TV & New Media business continued to improve its EBITDA contribution in the first half of 2010 as now TV subscribers increased by 27,000 in this period. The Group's decision not to acquire the rights to the Barclays Premier League for a further three years would entail significant content cost saving despite some initial downward pressure on ARPU. As now TV has further strengthened its position as the leading provider of diversified infotainment with more self-produced programs and acquired content, including top European football leagues and Barclays Premier League club channels, we expect the customer base will continue to rise and ARPU will recover in the second half of 2010. Leveraging our media strengths, a Group subsidiary applied in March for a license to operate a free television service in Hong Kong.

The fixed broadband business performed steadily in the face of severe competitive pressure, while mobile broadband experienced another period of remarkable growth on the back of the rapidly developing evolution of smart phones.

Other lines of our core business such as IT and telecom solutions and international connectivity also benefited to varying degrees from the improved sentiment in the commercial sector.

Pacific Century Premium Developments contributed stable earnings to the Group as the resilient local property market was able to absorb the ONE Pacific Heights units and Villa Bel-Air houses at sustained good prices.

We remain cautiously optimistic about the market outlook. On this basis, we expect that the Company will be able to keep up the momentum it has gathered in the first half of the year.

Finally, on behalf of the Board, I would like to thank our shareholders for their support and the staff for their devotion and hard work.

Richard Li
Chairman
August 13, 2010

STATEMENT FROM THE GROUP MANAGING DIRECTOR

The market greeted the arrival of 2010 with higher expectations than the poor sentiment evident in the economy during a difficult year in 2009. Despite various uncertainties in the global economy, the first half of 2010 has proven to be satisfactory. There are early signs of increased activity by businesses, while rises in stock and property prices also gave a boost to consumer sentiment.

These developments have enabled the Company to pursue opportunities to grow our business. We also took advantage of the favorable interest rate environment to address our refinancing needs, so as to remove any potential refinancing risks, to reduce borrowing costs and to ensure sufficient liquidity and resources for the ongoing operation of the Group and new investment opportunities.

In May, we signed a HK$16 billion self-arranged term loan and revolving credit facility for Hong Kong Telecommunications (HKT) Limited. The facility received an overwhelming response from 21 local and international banks offering a total commitment that represented over-subscription of 1.5 times. There are three tranches of revolving facility and term facilities with four- and six-year maturities at 90 bps and 115 bps over HIBOR respectively. The proceeds have been used to refinance facilities that had a higher margin of 155 bps over HIBOR.

Following completion of this deal, the Group has no imminent refinancing needs and senior management has been able to redirect its full attention to business development.

In the first six months of 2010, we succeeded in achieving a steady and reasonable performance across various core business activities.

BEST INTERNATIONAL BROADBAND NETWORK

The broadband business is one of the key drivers of our quadruple-play. Because of our strong broadband proposition – a range of fixed and wireless solutions coupled with an unparalleled international bandwidth network – severe competitive pressure has had only limited impact on the business.

Going forward, we will be accelerating our high-speed access to our customers (both business and consumer) using not one technology but several – including fiber-to-the-home and wireless solutions. Only PCCW can do this – and with the quality and reliability expected of Hong Kong's premier telecom provider. This will continue to be supported by PCCW Global's extensive worldwide connections, which enable NETVIGATOR to provide what we proudly believe to be the most steady and speedy access to overseas locations.

Meanwhile, the number of PCCW Wi-Fi hotspots across the territory has increased to 7,500, with a target of 8,000 by the end of this year.

Our mobile data business saw another period of significant growth, being a beneficiary of the rapidly proliferating smart phone market. At the beginning of the year, a mobile data price-cap scheme was introduced for users to enjoy our service with peace of mind. We launched Android-powered smart phones, pre-loaded with PCCW mobile's exclusive set of applications such as news-always-on, HD on mobile TV player, NETSync on mobile and MOOV player. We also created useful and interesting applications for many other models of smart phones.

Such remarkable growth was also the result of PCCW mobile's strategic decision a year ago to concentrate on high-end customers, who generate higher usage of data and roaming services. We are rolling out higher-speed mobile network capabilities to meet customer needs and to capture opportunities in this expanding market.

MORE ENTERTAINMENT CHOICES AT EXCELLENT VALUE

During the first half, we executed plans to further deepen and broaden the offerings of now TV. At attractive prices, viewers may choose information, drama, movies, sports and other genres of programming from more than 180 channels. now TV's popularity and competitiveness have been demonstrated by the continuously expanding customer base.

Following last year's win of the Spanish La Liga broadcast rights, now TV has acquired expanded coverage of the Italian Serie A, exclusive Hong Kong rights of French Ligue 1, as well as rights to the official TV channels of top English and European clubs including Chelsea, Manchester United, Arsenal, Liverpool, FC Barcelona, and FC Bayern München. More than 1,000 matches will be broadcast live in the 2010-11 season.

We also brought to viewers a variety of other prestigious sports events exclusively, such as Grand Slam tennis tournaments and the PGA Championship.

PCCW's quadruple-play platform means exciting content is delivered across multiple access technologies to broaden the scope of services. This means that the now TV experience is not just for TV sets – the same content can extend to mobile phones, the eye multimedia devices and the PC. We are taking this further: for example, our cooperation with Manchester United extends to the joint development of a microsite where programs are available on-demand online. And we can bring online content onto TV. For example, MOOV was launched on now TV in the form of a concert-music TV channel in May.

A newly incorporated company, HK Television and Entertainment Company Limited (HKTVE), submitted an application to the Government in March for a license to run a new domestic free television service in Hong Kong. Given PCCW's financial strength and proven track record in the operation of multiple forms of media including now TV, we are confident that HKTVE's proposal is very attractive and would create a new viewing experience and a new choice of entertainment for both general and niche viewers. In July, the application was gazetted by the Broadcasting Authority for public consultation. We believe that a domestic free television license would enable the Company to add a synergistic new business line to our portfolio.

We continue to develop PCCW eye2 with a view to getting this innovative portable multimedia device and the infotainment features and services into more Hong Kong households. Capable of serving the needs and enhancing the lifestyle of various family members, it is no wonder that PCCW eye2 won the Most Innovative New Service award of the IPTV World Forum 2010, the Gold Award of the Best Lifestyle Award (Creative & Free Living) of the Hong Kong ICT Awards 2009, and other accolades.

THE LEADING SERVICE PROVIDER FOR ENTERPRISES

Despite still relatively cautious spending by enterprises, we are seeing some encouraging signs of renewed demand for business telephone lines and commercial fixed broadband. We continue to innovate in this sector; for instance, we introduced a broadband solution which enables retail shops, restaurants, clinics, etc. to improve customer payment efficiency.

In May, PCCW Solutions announced the launch of a full spectrum of cloud computing services to enterprises in Hong Kong and mainland China. It also opened its fourth mainland Outsourced Development Center in Xi'an in Shaanxi Province to serve the increasing outsourcing needs from multinational corporations and large mainland enterprises.

Locally, PCCW Solutions won data center, IT outsourcing, systems integration, technical services, and other business process outsourcing contracts from both private and public organizations.

Already reaching 1,000 cities and 100 countries, PCCW Global further strengthened its network coverage (now IPv6-enabled) and service availability with interconnection agreements with overseas service providers and carriers.

In June, PCCW Global was rated Best International Leased Lines for the sixth consecutive year and Best International Ethernet for the second consecutive year in Gartner's user survey on the best international carriers in Asia Pacific.

PROPERTY PROJECTS MAKE PROGRESS

Houses at Villa Bel-Air will continue to be the focus of Pacific Century Premium Developments (PCPD) in Hong Kong, and sales will proceed in phases over the next few years.

For the world-class all-season resort in Hokkaido, Japan, PCPD launched summer activity programs in July to complement the ski operations. In June, it signed a contract with a first-class international hotel operator for the management of the project in Phang-nga, southern Thailand, where construction is expected to commence in 2011.

PCPD's balance sheet remains strong, following the distribution of a special dividend for the previous financial year. It will continue to explore potential investment opportunities in a cautious manner.

LOOKING AHEAD

Based on some encouraging signs in this early phase of the recovery in the global economy, we are hopeful continuation of this positive development will translate into benefits for shareholders. We will continue to invest in the latest technology and keep our networks at the forefront. We will look for business and investment opportunities in Hong Kong and internationally. We will tread carefully because the course of global economic recovery still contains risks and uncertainties.

As we grow our business and invest in our future, we are also mindful of the unique challenges in the local industry. Since April 2009, the change of the fixed-mobile interconnection regulatory regime has resulted in considerable revenue reduction, which we compensated last year with recurrent cost saving measures. We retain a tight control of costs despite some inflationary pressures becoming evident.

Meanwhile, market competition remains intense. As the premier operator, we meet the competition by providing value to our customers, by innovating and by providing services of the highest quality. We will continue to focus on delivering the best customer experience, and I do not doubt that this will lead us to another successful period.

Alex Arena
Group Managing Director
August 13, 2010

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard
Chairman
Mr Li, aged 43, was appointed an Executive Director and Chairman of PCCW in August 1999. He is Chairman of PCCW's Executive Committee and a member of Nomination Committee of the Board. He is also Chairman and Chief Executive of the Pacific Century Group, Executive Director and Chairman of Pacific Century Premium Developments Limited (PCPD), Chairman of PCPD's Executive Committee and Chairman of Singapore-based Pacific Century Regional Developments Limited.

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

Alexander Anthony ARENA
Group Managing Director
Mr Arena, aged 59, was appointed an Executive Director of PCCW in August 1999. He is Group Managing Director of PCCW, Deputy Chairman of PCCW's Executive Committee and a member of Regulatory Compliance Committee of the Board. He is also a Director of Pacific Century Regional Developments Limited, an Executive Director and Deputy Chairman of Pacific Century Premium Developments Limited (PCPD) and a member of PCPD's Executive Committee.

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

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

Mr Arena graduated from University of New South Wales, Australia, with a bachelor's degree in electrical engineering. He completed an MBA at Melbourne University, Australia, and is a Fellow of the Hong Kong Institution of Engineers.

Peter Anthony ALLEN
Executive Director
Mr Allen, aged 55, was appointed an Executive Director of PCCW in August 1999. He is Director of Corporate Development of PCCW, Group Managing Director of Pacific Century Regional Developments Limited and an Executive Director and Chief Financial Officer of the Pacific Century Group.

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

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

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

LEE Chi Hong, Robert
Executive Director
Mr Lee, aged 59, was appointed an Executive Director of PCCW in September 2002. He is a member of PCCW's Executive Committee. He is also an Executive Director and Chief Executive Officer of Pacific Century Premium Developments Limited (PCPD) and a member of PCPD's Executive Committee.

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

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

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

HUI Hon Hing, Susanna

Executive Director

Ms Hui, aged 45, was appointed an Executive Director of PCCW in May 2010. She is a member of PCCW's Executive Committee. She has been the Group Chief Financial Officer of PCCW since April 2007 and holds directorships in various PCCW group companies. Prior to her appointment as the Group Chief Financial Officer of PCCW, she was Director of Group Finance of PCCW from September 2006 to April 2007. Before that, she was Director of Finance of PCCW, with responsibility for the telecommunications services sector and regulatory accounting. She has also been the Chief Financial Officer of Pacific Century Premium Developments Limited since July 2009.

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

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

NON-EXECUTIVE DIRECTORS

Sir David FORD, KBE, LVO

Non-Executive Director

Sir David, aged 75, was appointed a Non-Executive Director of PCCW in June 2002. He started his working life as an army officer in the Royal Artillery and served in five continents. During his last five years with the army, he served with the Commando Brigade and saw active service in Aden and Borneo.

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

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

LU Yimin

Non-Executive Director

Mr Lu, aged 46, became a Non-Executive Director of PCCW in May 2008. He is a member of the Nomination Committee and Regulatory Compliance Committee of the Board.

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

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

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

ZUO Xunsheng

Deputy Chairman and Non-Executive Director

Mr Zuo, aged 59, became a Deputy Chairman and Non-Executive Director of PCCW in July 2007. He is a member of the Remuneration Committee and Executive Committee of the Board.

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

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

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

LI Fushen
Non-Executive Director
Mr Li, aged 47, became a Non-Executive Director of PCCW in July 2007.

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

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

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

CHUNG Cho Yee, Mico
Non-Executive Director
Mr Chung, aged 49, is a Non-Executive Director of PCCW. He was an Executive Director of PCCW from November 1996 with responsibility for merger and acquisition activities and was re-designated to a Non-Executive Director of PCCW in May 2010. He joined the Pacific Century Group in March 1999.

Mr Chung graduated from University College, University of London in the United Kingdom, with a law degree in 1983 and qualified as solicitor in Hong Kong in 1986.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor CHANG Hsin-kang, FREng, GBS, JP
Independent Non-Executive Director
Professor Chang, aged 70, was appointed a Director of PCCW in October 2000. He is a member of the Audit Committee and the Regulatory Compliance Committee of the Board.

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

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

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

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

Dr The Hon Sir David LI Kwok Po, GBM, GBS, OBE, JP

Independent Non-Executive Director

Sir David, aged 71, was appointed a Director of PCCW in October 2000. He was previously a Non-Executive Deputy Chairman of the former Hong Kong-listed Cable & Wireless HKT Limited and served as a Director from November 1987 to August 2000. He is a member of the Audit Committee, Remuneration Committee, Nomination Committee and Regulatory Compliance Committee of the Board.

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

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

Sir Roger LOBO, CBE, LLD, JP

Independent Non-Executive Director

Sir Roger, aged 86, was appointed a Director of PCCW in August 1999. He is Chairman of the Regulatory Compliance Committee and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Board.

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

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

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

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

Aman MEHTA

Independent Non-Executive Director

Mr Mehta, aged 63, became an Independent Non-Executive Director of PCCW in February 2004 and is Chairman of the Audit Committee and the Nomination Committee of the Board.

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

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

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

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

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

The Hon Raymond George Hardenbergh SEITZ

Independent Non-Executive Director

Mr Seitz, aged 69, is an Independent Non-Executive Director of PCCW. He is Chairman of the Remuneration Committee and a member of the Nomination Committee of the Board. He was a Non-Executive Director of PCCW from October 2000 and was redesignated as an Independent Non-Executive Director in February 2005.

Mr Seitz was Vice-Chairman of Lehman Brothers International from April 1995 to April 2003 and was United States Ambassador in Great Britain from 1991 to 1994. Prior to that, Mr Seitz acted as the United States Assistant Secretary of State for Europe from 1989 to 1991 and Minister at the United States Embassy in London from 1984 to 1989. He was a Non-Executive Director of The Chubb Corporation from February 1996 to April 2007 and was Non-Executive Chairman and a member of the Special Committee of Sun-Times Media Group, Inc. from July 2003 to January 2009.

TSE Sze Wing, Edmund, GBS

Independent Non-Executive Director

Mr Tse, aged 72, was appointed an Independent Non-Executive Director of PCCW in September 2009.

Mr Tse is currently Honorary Chairman of American International Assurance Company, Limited (AIA). He is also Non-Executive Chairman of Nan Shan Life Insurance Company, Limited and The Philippine American Life and General Insurance Company. From 1996 until June 2009, Mr Tse was Director of American International Group, Inc. (AIG) and from 2001 until June 2009, he was Senior Vice Chairman of AIG. From 2000 until June 2009, he was also Chairman and Chief Executive Officer of AIA. Mr Tse has held various senior positions and directorships in other AIG companies. Mr Tse is currently a Non-Executive Director of PICC Property and Casualty Company Limited.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

MANAGEMENT REVIEW

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

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

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

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

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

OUTLOOK

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

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

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

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

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

FINANCIAL REVIEW BY SEGMENTS

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

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

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

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

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

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

OPERATING DRIVERS[3]

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

Telecommunications Services ("TSS")

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

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

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

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

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

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

Other Services. Other services revenue primarily included revenue from the sales of network equipment and customer premises equipment ("CPE") to consumers and enterprises, teleservices business, and provision of technical and maintenance services. Other services revenue for the six months ended June 30, 2010 increased by 7% year-on-year to HK$1,922 million, mainly because teleservices almost doubled its revenue following the acquisition of the call center operations in the Philippines and the Americas in the second half of 2009.

TV & Content

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

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

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

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

Mobile

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

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

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

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

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

PCCW Solutions

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

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

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

PCPD

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

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

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

Other Businesses

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

Eliminations

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

Costs

Cost of Sales

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

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

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

General and Administrative Expenses

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

EBITDA[1]

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

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

Interest Income and Finance Costs

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

Income Tax

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

Non-controlling Interests

Non-controlling interests of HK$88 million primarily represented the net profit attributable to the minority shareholders of PCPD.

Consolidated Profit Attributable to Equity Holders of the Company

Consolidated profit attributable to equity holders of the Company for the six months ended June 30, 2010 increased by 17% year-on-year to HK$765 million (June 30, 2009: HK$654 million).

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2010, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and Standard & Poor's Ratings Services (BBB).

CAPITAL EXPENDITURE[5]

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

As a result of significant investments made in previous years, the Group's now TV, mobile and international networks are already operating in quality infrastructure, and its broadband network coverage is the best among all local operators. This provided greater flexibility in prioritizing our capital expenditure in the first half of 2010. Going forward, PCCW will continue to invest in its unique quadruple-play platform and networks having regard to the prevailing market conditions, and using assessment criteria including internal rate of return, net present value and payback period.

HEDGING

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

In the normal course of business, the Group enters into forward contracts and other derivative contracts in order to limit its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions, and all contracts are denominated in currencies of major industrial countries. As at June 30, 2010, all cross currency swap contracts were designated as cash flow hedges for the Group's foreign currency denominated long-term borrowings.

CHARGE ON ASSETS

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

CONTINGENT LIABILITIES

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

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

The Group has assessed the likely outcome of the final assessment of the Development Maintenance Account of the Cyberport Project, details of which are disclosed in Note 12b to the unaudited condensed consolidated interim financial information.

HUMAN RESOURCES

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

INTERIM DIVIDEND

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

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2010

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2010

In HK$ million	**2010 (Unaudited)**	2009 (Unaudited)
Profit for the period	**853**	748
Other comprehensive income		
Translation exchange differences	**67**	181
Available-for-sale financial assets:		
– changes in fair value	**12**	53
Cash flow hedges:		
– effective portion of changes in fair value	**91**	(99)
– transfer from equity to income statement	**(74)**	(21)
Other comprehensive income for the period	**96**	114
Total comprehensive income for the period	**949**	862
Attributable to:		
Equity holders of the Company	**835**	772
Non-controlling interests	**114**	90
Total comprehensive income for the period	**949**	862

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

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at June 30, 2010

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

In HK$ million	Note	The Group As at June 30, 2010 (Unaudited)	The Group As at December 31, 2009 (Audited)	The Company As at June 30, 2010 (Unaudited)	The Company As at December 31, 2009 (Audited)
Current liabilities					
Short-term borrowings		**(652)**	(246)	**(595)**	(200)
Trade payables	9	**(1,409)**	(1,645)	**–**	–
Accruals and other payables		**(4,136)**	(4,441)	**(4)**	(6)
Amount payable to the Government under the Cyberport Project Agreement		**(1,121)**	(833)	**–**	–
Carrier licence fee liabilities		**(188)**	(85)	**–**	–
Amounts due to related companies		**(22)**	(42)	**–**	–
Advances from customers		**(1,610)**	(1,768)	**–**	–
Current income tax liabilities		**(668)**	(767)	**–**	–
		(9,806)	(9,827)	**(599)**	(206)
Net current assets		**4,030**	7,222	**17,584**	16,534
Total assets less current liabilities		**31,853**	35,156	**29,673**	28,623
Non-current liabilities					
Long-term borrowings		**(31,826)**	(34,667)	**–**	–
Deferred income tax liabilities		**(1,515)**	(1,276)	**–**	–
Deferred income		**(670)**	(651)	**–**	–
Defined benefit liability		**(4)**	(5)	**–**	–
Carrier licence fee liabilities		**(952)**	(480)	**–**	–
Other long-term liabilities		**(127)**	(102)	**–**	–
		(35,094)	(37,181)	**–**	–
Net (liabilities)/assets		**(3,241)**	(2,025)	**29,673**	28,623
CAPITAL AND RESERVES					
Share capital	10	**1,693**	1,693	**1,693**	1,693
(Deficit)/Reserves		**(7,204)**	(7,138)	**27,980**	26,930
Equity attributable to equity holders of the Company		**(5,511)**	(5,445)	**29,673**	28,623
Non-controlling interests		**2,270**	3,420	**–**	–
Total equity		**(3,241)**	(2,025)	**29,673**	28,623

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2010

2010 (Unaudited)

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

2009 (Unaudited)

In HK$ million	Attributable to equity holders of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Special capital reserve	Capital redemption reserve	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Available-for-sale financial assets reserve	Accumulated losses	Total		
At January 1, 2009	1,693	7,989	21,205	3	(18)	137	369	437	(15)	(30,065)	1,735	3,165	4,900
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	185	(120)	53	654	772	90	862
Special dividend declared and paid during the interim period	–	–	(8,804)	–	–	–	–	–	–	–	(8,804)	–	(8,804)
Dividend declared to non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(19)	(19)
	–	–	(8,804)	–	–	–	–	–	–	–	(8,804)	(19)	(8,823)
At June 30, 2009	1,693	7,989	12,401	3	(18)	137	554	317	38	(29,411)	(6,297)	3,236	(3,061)

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended June 30, 2010

In HK$ million	**2010 (Unaudited)**	2009 (Unaudited)
Net cash generated from operating activities	**2,466**	3,158
Net cash used in investing activities	**(1,087)**	(1,328)
Net cash used in financing activities	**(5,491)**	(6,353)
Net decrease in cash and cash equivalents	**(4,112)**	(4,523)
Exchange differences	**15**	1
Cash and cash equivalents at January 1,	**8,049**	9,284
Cash and cash equivalents at June 30,	**3,952**	4,762
Analysis of the balance of cash and cash equivalents:		
Cash and bank balances	**5,770**	7,562
Bank overdrafts	**(9)**	(3)
Less: Restricted cash	**(1,809)**	(2,797)
	3,952	4,762

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

1 BASIS OF PREPARATION

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

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue on August 13, 2010.

The unaudited condensed consolidated interim financial information has been reviewed by the Company's Audit Committee and, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA, by the Company's independent auditor.

The preparation of the unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group has assessed the likely outcome of the final assessment of the Development Maintenance Account of the Cyperport Project, details of which are disclosed in note 12b. During the six months ended June 30, 2010, the Group has reassessed the estimated amount recoverable from ongoing appeals against rates and government rents assessed by the Rating and Valuation Department and recorded a reduction in operating costs of property, plant and equipment on the basis of advice from the Group's external experts.

The accounting policies and methods of computation used in preparing this unaudited condensed consolidated interim financial information are consistent with those followed in preparing the Group's annual financial statements for the year ended December 31, 2009, except for the adoption of the following new, revised or amended Hong Kong Financial Reporting Standards ("HKFRSs"), HKASs and Interpretations ("Ints") (collectively "new HKFRSs") which are effective for accounting period beginning on or after January 1, 2010:

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

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. All acquisition-related costs are expensed. Please refer to note 15 for further details of the business combination that was entered into in the half-year under review.

1 BASIS OF PREPARATION *(CONTINUED)*

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

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

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

2 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

2 SEGMENT INFORMATION *(CONTINUED)*

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

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

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

In HK$ million	For the six months ended June 30, 2009 (Unaudited)							
	TSS	TV & Content	Mobile	PCCW Solutions	PCPD	Other Businesses	Eliminations	Consolidated
REVENUE								
External revenue	8,012	982	828	656	2,276	20	–	12,774
Inter-segment revenue	229	110	–	249	30	6	(624)	–
Total revenue	8,241	1,092	828	905	2,306	26	(624)	12,774
RESULTS								
EBITDA	3,421	(34)	130	82	306	(315)	–	3,590

A reconciliation of total segment EBITDA to profit before income tax is provided as follows:

In HK$ million	Six months ended	
	June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
Total segment EBITDA	**3,722**	3,590
Losses on disposal of property, plant and equipment	**(2)**	–
Depreciation and amortization	**(1,883)**	(1,889)
Net other gains/(losses) and restructuring costs	**33**	(12)
Interest income	**9**	12
Finance costs	**(806)**	(748)
Share of results of associates and jointly controlled companies	**(13)**	(31)
Profit before income tax	**1,060**	922

3 OTHER GAINS/(LOSSES), NET

In HK$ million	Six months ended June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
Net realized gains on disposals of available-for-sale financial assets	**11**	–
Net gain on cash flow hedging instruments transferred from equity	**21**	21
Others	**2**	(33)
	34	(12)

4 PROFIT BEFORE INCOME TAX

Profit before income tax is stated after crediting and charging the following:

In HK$ million	Six months ended June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
Crediting:		
Revenue from properties sold	**855**	2,109
Charging:		
Cost of inventories sold	**937**	1,008
Cost of properties sold	**493**	1,863
Cost of sales, excluding inventories and properties sold	**4,054**	3,560
Depreciation of property, plant and equipment	**1,356**	1,337
Operating costs of property, plant and equipment	**420**	571
Amortization of intangible assets	**516**	540
Amortization of land lease premium	**11**	12
Finance costs on borrowings	**776**	716
Staff costs	**1,342**	1,297

5 INCOME TAX

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

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

6 DIVIDENDS

a. Dividend attributable to the interim period

In HK$ million	Six months ended June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
Interim dividend declared after the interim period of 5.1 HK cents per ordinary share (2009: Nil)	**345**	–

At a meeting held on August 13, 2010, the directors declared an interim dividend of 5.1 HK cents per ordinary share for the year ending December 31, 2010 . This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information. It will be recognized in shareholders' equity in the year ending December 31, 2010.

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

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

7 EARNINGS PER SHARE

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

	Six months ended June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
Earnings (in HK$ million)		
Earnings for the purposes of basic and diluted earnings per share	**765**	654
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,772,294,654**	6,772,294,654
Effect of the Company's share award schemes	**–**	2,519,109
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,772,294,654**	6,774,813,763

8 TRADE RECEIVABLES, NET

An aging analysis of trade receivables is set out below:

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

Trade receivables in respect of properties sold are payable by the purchasers pursuant to the terms of the sales contracts. Other trade receivables have a normal credit period ranging up to 30 days from the date of invoice or per contracted terms unless there is a separate mutual agreement on extension of the credit period. The Group maintains a well-defined credit policy and individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors who have overdue payable are requested to settle all outstanding balances before any further credit is granted.

9 TRADE PAYABLES

An aging analysis of trade payables is set out below:

In HK$ million	As at June 30, 2010 (Unaudited)	As at December 31, 2009 (Audited)
0 – 30 days	**886**	927
31 – 60 days	**64**	111
61 – 90 days	**74**	44
91 – 120 days	**46**	40
Over 120 days	**339**	523
	1,409	1,645

10 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, 2010 and June 30, 2010	**6,772,294,654**	**1,693**

11 CAPITAL COMMITMENTS

In HK$ million	As at	
	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Authorized and contracted for	**1,053**	439
Authorized but not contracted for	**865**	865
	1,918	1,304

12 CONTINGENT LIABILITIES

a. Performance guarantee and other contingent liabilities

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

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

12 CONTINGENT LIABILITIES *(CONTINUED)*

b. Under the Cyberport Project Agreement, a Development Maintenance Account (the "DMA Account") was established for the provision of funds ("DMA Amount") for the upkeep and maintenance of certain facilities commonly available to both tenants and visitors at the commercial portion of the Cyberport project (please refer to note 3(v) to the 2009 Consolidated Financial Statements).

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

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

13 CHARGE ON ASSETS

Security pledged for certain banking facilities includes:

In HK$ million	As at	
	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Property, plant and equipment	**75**	77
Trade receivables	**66**	49
Investment properties	**3,818**	3,787
Bank deposit	**1**	–
	3,960	3,913

14 RELATED PARTY TRANSACTIONS

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

In HK$ million	Note(s)	Six months ended	
		June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
Telecommunications service fees, rental charges, facility management services and subcontracting charges received or receivable from a jointly controlled company	a	**37**	38
Telecommunications service fees and systems integration charges received or receivable from a substantial shareholder	a	**140**	73
Telecommunications service fees, outsourcing fees and rental charges paid or payable to a jointly controlled company	a & c	**239**	307
Telecommunications service fees paid or payable to a substantial shareholder	a	**56**	106
Key management compensation	b	**44**	47

14 RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

b. Details of key management compensation

In HK$ million	Six months ended June 30, 2010 (Unaudited)	June 30, 2009 (Unaudited)
Salaries and other short-term employee benefits	**43**	45
Post-employment benefits	**1**	2
	44	47

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

On April 16, 2005, the Company agreed with Telstra Corporation Limited ("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, 2010, the outsourcing fees paid or payable by the Group to the JV, determined on a cost plus basis, were HK$187 million (2009: HK$236 million).

15 BUSINESS COMBINATION

On May 14, 2010, the Group acquired 100 per cent of the share capital of 802 Limited and 802 Global Limited, companies incorporated in the United Kingdom. The acquirees' business covers the supply, design and distribution of wireless network solutions. The Group made an initial payment for acquisition totaling HK$34 million in cash and may potentially have to make an additional payments totaling up to HK$41 million in cash if the acquired businesses achieve certain financial milestones within a specified period. The fair value of the contingent consideration is estimated at HK$26 million and has been included in the purchase price of 802 Limited and 802 Global Limited.

The Group is required to recognize the acquirees' identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date. As of the date of this unaudited condensed consolidated interim financial information, the purchase price allocation process is ongoing and has yet to be finalized. In the preparation of this unaudited condensed consolidated interim financial information, the Group has used the historical carrying values of the acquired assets and liabilities in their predecessor businesses with the excess of the cost of acquisition over these carrying values being recorded as goodwill. This allocation of the purchase price allocation to the acquired assets and liabilities is provisional and will be adjusted in the Group's 2011 consolidated financial statements when the purchase price allocation is finalized. Had the purchase price allocation been completed, the fair values of the assets and liabilities acquired and the amount of goodwill to be recorded could be materially different from the amounts recognized. The values of assets and liabilities acquired and the resulting goodwill will be adjusted retrospectively upon the completion of the purchase price allocation in 2011.

15 BUSINESS COMBINATION *(CONTINUED)*

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

In HK$ million	Six months ended June 30, 2010 (unaudited)
Purchase consideration in cash	**34**
Contingent consideration payable	**26**
Purchase consideration	**60**
Less: Carrying amount of net assets acquired	**(5)**
Goodwill on acquisition	**55**

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

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

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

In HK$ million	Six months ended June 30, 2010 (Unaudited)
Purchase consideration settled in cash	**(34)**
Cash and cash equivalents of wireless network solution operations acquired	**–**
Cash outflow on acquisition of wireless network solution operations	**(34)**

a. Acquisition-related costs

Acquisition-related costs of HK$2 million are included in the consolidated income statement.

b. Revenue and profit contribution

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

c. Prior period

No business combination had occurred for the six months ended June 30, 2009.

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

As at June 30, 2010, the directors and chief executives of the Company and their associates had the following interests and short positions in the shares, underlying shares and debentures of the Company and its associated 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 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"):

1. Interests in the Company

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

Name of Director/ Chief Executive	Number of ordinary shares: Personal interests	Family interests	Corporate interests	Other interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of issued share capital
Li Tzar Kai, Richard	–	–	271,666,824 *(Note 1(a))*	1,698,197,335 *(Note 1(b))*	–	1,969,864,159	29.09%
Alexander Anthony Arena *(Note 3)*	760,000	–	–	–	9,600,200 *(Note 2)*	10,360,200	0.15%
Peter Anthony Allen	253,200	–	–	–	2,357,200 *(Note 4)*	2,610,400	0.04%
Lee Chi Hong, Robert	992,600 *(Note 5(a))*	511 *(Note 5(b))*	–	–	5,000,000 *(Note 4)*	5,993,111	0.09%
Hui Hon Hing, Susanna	–	–	–	–	16,000 *(Note 4)*	16,000	0.0002%
Sir David Ford	–	–	–	–	1,000,000 *(Note 4)*	1,000,000	0.01%
Chung Cho Yee, Mico	1,176,260	18,455 *(Note 6)*	–	–	7,815,200 *(Note 4)*	9,009,915	0.13%
Professor Chang Hsin-kang	64,000	–	–	–	–	64,000	0.001%
Dr The Hon Sir David Li Kwok Po	1,000,000	–	–	–	–	1,000,000	0.01%
Tse Sze Wing, Edmund	–	140,000 *(Note 7(a))*	200,000 *(Note 7(b))*	–	–	340,000	0.005%

Notes:

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

   (b) These interests represented:

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

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

1. Interests in the Company *(continued)*

Notes: *(continued)*

1. (b) *(continued)*

(ii) a deemed interest in 112,935,177 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 112,935,177 shares of the Company held by PCGH;

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

(iv) a deemed interest in 324,000 shares of the Company held by PineBridge Investments LLC ("PBI LLC") in the capacity as investment manager. PBI LLC was an indirect subsidiary of Chiltonlink Limited and Li Tzar Kai, Richard owned 100% of Chiltonlink Limited. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 324,000 shares of the Company held by PBI LLC.

2. These interests represented Alexander Anthony Arena's beneficial interest in: (a) 200 underlying shares held in the form of 20 American Depositary Receipts which constituted listed equity derivatives; and (b) 9,600,000 underlying shares in respect of share options granted by the Company to Alexander Anthony Arena as beneficial owner, the details of which are set out in the section below headed "**Share Option Schemes**".

3. As disclosed previously in the 2009 Annual Report of the Company, a private company owned by Li Tzar Kai, Richard has provided a seven year interest-free loan in the amount of US$10,000,000 to Alexander Anthony Arena at his request and for personal reasons. Alexander Anthony Arena has entered into a seven year consultancy agreement with another private company owned by Li Tzar Kai, Richard with an annual consultancy fee sufficient to repay the aforementioned loan over its seven year term. This private arrangement was reviewed by the Remuneration Committee prior to its finalization. The Committee noted that the consultancy services provided to the private company would be publicly disclosed, would not conflict with Alexander Anthony Arena's duties at PCCW and overall would be in the interests of PCCW.

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

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

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

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

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

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

2. Interests in Associated Corporation of the Company

The table below sets out the long position in the shares and underlying shares of Pacific Century Premium Developments Limited ("PCPD") held by the director of the Company:

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

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

Save as disclosed in the foregoing, none of the directors or chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules as at June 30, 2010.

SHARE OPTION SCHEMES

1. Share Option Schemes of the Company

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

Details of the share options outstanding and movements during the six months ended June 30, 2010 are as follows:

A. 1994 Scheme

(1) Outstanding options at January 1, 2010 and at June 30, 2010

					Number of options	
Name or category of participant	Date of grant *(Notes 1 & 2)*	Vesting period *(Note 1)*	Exercisable period *(Note 1)*	Exercise price HK$	Outstanding at 01.01.2010	Outstanding at 06.30.2010
Director/Chief Executive						
Alexander Anthony Arena	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	08.26.2000	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
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
Hui Hon Hing, Susanna*	10.27.2000	10.27.2001 to 10.27.2003	10.27.2001 to 10.27.2010	24.3600	–	16,000
Sir David Ford	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	1,000,000	1,000,000
Chung Cho Yee, Mico	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

* Hui Hon Hing, Susanna, currently the Group Chief Financial Officer of the Company, was appointed as an Executive Director of the Company on May 19, 2010. She holds a beneficial interest in 16,000 underlying shares in respect of share options granted by the Company under the 1994 Scheme which were included in the aggregate number of options outstanding at 01.01.2010 under the category of "**Employees**" and also reported in the number of options outstanding at 06.30.2010 under the category of "**Director/Chief Executive**".

SHARE OPTION SCHEMES *(CONTINUED)*

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

A. 1994 Scheme *(continued)*

(1) Outstanding options at January 1, 2010 and at June 30, 2010 *(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 01.01.2010	Number of options Outstanding at 06.30.2010
Employees						
In aggregate	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	–
	08.26.2000 to 09.24.2000	*(Note 3)*	*(Note 3)*	60.1200	823,000	823,000
	10.27.2000 to 11.25.2000	*(Note 4)*	*(Note 4)*	24.3600	7,554,026*	7,324,306
	01.22.2001 to 02.20.2001	*(Note 5)*	*(Note 5)*	16.8400	5,017,159	5,014,639
	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 6)*	*(Note 6)*	10.3000	1,047,640	1,046,120
	07.16.2001 to 09.15.2001	07.16.2002 to 07.16.2004	07.16.2002 to 07.16.2011	9.1600	194,600	178,520
	05.10.2002	*(Note 7)*	04.11.2003 to 04.11.2012	7.9150	86,700	86,700
	08.01.2002	08.01.2003 to 08.01.2005	08.01.2003 to 07.31.2012	8.0600	200,000	200,000
	11.13.2002	11.13.2003 to 11.13.2005	11.13.2003 to 11.12.2012	6.1500	5,860,000	5,640,000
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	29,501,672	29,331,005
	09.16.2003	09.16.2004 to 09.16.2006	09.16.2004 to 09.14.2013	4.9000	7,000	7,000
Others	08.26.2000 to 09.24.2000	*(Note 3)*	*(Note 3)*	60.1200	2,800,000	2,800,000
	01.22.2001 to 02.20.2001	*(Note 5)*	*(Note 5)*	16.8400	2,800,000	2,800,000
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.3500	1,000,000	1,000,000

* Hui Hon Hing, Susanna, currently the Group Chief Financial Officer of the Company, was appointed as an Executive Director of the Company on May 19, 2010. She holds a beneficial interest in 16,000 underlying shares in respect of share options granted by the Company under the 1994 Scheme which were included in the aggregate number of options outstanding at 01.01.2010 under the category of "**Employees**" and also reported in the number of options outstanding at 06.30.2010 under the category of "**Director/Chief Executive**".

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, 2010

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

(3) Options cancelled or lapsed during the six months ended June 30, 2010

Name or category of participant	Exercise price HK$	Number of options cancelled	Number of options lapsed
Employees			
In aggregate	75.2400	–	86,700
	24.3600	–	213,720
	16.8400	–	2,520
	10.3000	–	1,520
	9.1600	–	16,080
	6.1500	–	220,000
	4.3500	–	170,667

B. 2004 Scheme

There were no outstanding share options as at January 1, 2010 and June 30, 2010. No share options were granted to or exercised by any directors or chief executives of the Company or employees of the Group or other participants nor cancelled or lapsed during the six months ended June 30, 2010.

2. Share Option Schemes of Subsidiary of the Company

PCPD

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

SHARE OPTION SCHEMES *(CONTINUED)*

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

PCPD *(continued)*

Details of the share options outstanding under the 2003 PCPD Scheme and movements during the six months ended June 30, 2010 are as follows:

2003 PCPD Scheme

(1) Outstanding options at January 1, 2010 and at June 30, 2010

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 01.01.2010	Outstanding at 06.30.2010
Director of the Company						
Chung Cho Yee, Mico	12.20.2004	Fully vested on 12.20.2004	12.20.2004 to 12.19.2014	2.375	5,000,000	5,000,000

As at June 30, 2010, the total number of shares of PCPD that may be issued upon exercise of all share options granted and yet to be exercised under the 2003 PCPD Scheme was 5,000,000, which represented approximately 0.21% of the issued share capital of PCPD as at that date.

(2) Options granted during the six months ended June 30, 2010

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

(3) Options exercised during the six months ended June 30, 2010

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

(4) Options cancelled or lapsed during the six months ended June 30, 2010

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

2005 PCPD Scheme

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

Notes:

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

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

3. These options vest in installments during a period starting from: (i) May 26, 2001 and ending on May 26, 2003 inclusive; (ii) the first anniversary of the offer date (the "Offer Date") and ending on the third anniversary of the Offer Date inclusive; or (iii) the first anniversary of the Offer Date and ending on the fifth anniversary of the Offer Date inclusive. All these options are exercisable in installments from the commencement of the relevant vesting period until the tenth anniversary of the Offer Date.

4. These options vest in installments during a period starting from: (i) 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.

5. 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.

6. 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.

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

SHARE AWARD SCHEMES

In 2002, the Company established two employee share incentive award schemes, namely the Purchase Scheme and the Subscription Scheme, under which employees of participating subsidiaries of the Company (excluding directors of the Company) may be selected to participate in such schemes. Subject to the relevant scheme rules, each scheme provides that following the making of an award to an employee, the relevant shares are held in trust for that employee and then shall vest over a period of time provided that the employee remains an employee of the applicable subsidiary of the Company at the relevant time and satisfies any other conditions specified at the time the award is made. In May 2006, the rules of the Purchase Scheme were altered such that the directors of the Company are also eligible to participate in such scheme. During the six months ended June 30, 2010, no awards have been made to any directors and employees of the Company or its subsidiaries under these two schemes.

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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at June 30, 2010, the following persons (other than any directors or chief executives of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) and had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	*Note*	Number of shares/underlying shares held	Approximate percentage of issued share capital
Interests			
PCRD		1,548,211,301	22.86%
PCGH	*1*	1,661,146,478	24.53%
Star Ocean Ultimate Limited	*2*	1,661,146,478	24.53%
The Ocean Trust	*2*	1,661,146,478	24.53%
The Starlite Trust	*2*	1,661,146,478	24.53%
OS Holdings Limited	*2*	1,661,146,478	24.53%
Ocean Star Management Limited	*2*	1,661,146,478	24.53%
The Ocean Unit Trust	*2*	1,661,146,478	24.53%
The Starlite Unit Trust	*2*	1,661,146,478	24.53%
China United Network Communications Group Company Limited ("Unicom")	*3*	1,343,571,766	19.84%

Notes:

1. These interests represented (i) PCGH's beneficial interests in 112,935,177 shares; and (ii) PCGH's interests through its controlled corporations (being its wholly-owned subsidiaries, Borsington Limited, Pacific Century International Limited, Pacific Century Group (Cayman Islands) Limited and Anglang Investments Limited, which together controlled 75.74% of PCRD) in 1,548,211,301 shares held by PCRD.

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

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

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

As at June 30, 2010, the following person (not being the director or chief executive or substantial shareholder (as disclosed in the previous section headed "**Interests and Short Positions of Substantial Shareholders**") of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name		Number of shares/underlying shares held	Approximate percentage of issued share capital
Interests			
Ocean Star Investment Management Limited	*Note*	1,661,146,478	24.53%

Note:

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

Save as disclosed above in this section and the previous section headed "**Interests and Short Positions of Substantial Shareholders**", the Company had not been notified of any other persons (other than any directors or chief executives of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at June 30, 2010.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the unaudited condensed consolidated interim financial information of the Group for the six months ended June 30, 2010. Such condensed consolidated interim financial information has not been audited but has been reviewed by the Company's independent auditor.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

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

CORPORATE GOVERNANCE PRACTICES

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

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

INVESTOR RELATIONS

FINANCIAL CALENDAR

Announcement of 2010 Interim Results	August 13, 2010
Closure of register of members	September 16-21, 2010 (both days inclusive)
Payment of 2010 interim dividend	On or around October 5, 2010
Announcement of 2010 Annual Results	February 2011

DIRECTORS

The directors of the Company as at the date of the announcement of the 2010 Interim Results are:

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

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

Independent Non-Executive Directors:
Professor Chang Hsin-kang, FREng, GBS, JP
Dr. The Hon. Sir David Li Kwok Po, GBM, GBS, OBE, JP
Sir Roger Lobo, CBE, LLD, JP
Aman Mehta
The Hon. Raymond George Hardenbergh Seitz
Tse Sze Wing, Edmund, GBS

INTERIM REPORT 2010

This Interim Report 2010 in both English and Chinese is now available in printed form and on the websites of the Company (www.pccw.com) and Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk).

Shareholders who:

A) received the Interim Report 2010 by electronic means may request a printed copy, or
B) received the Interim Report 2010 in either English or Chinese may request a printed copy of the other language version

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

Computershare Hong Kong Investor Services Limited
Investor Communications Centre
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Fax: +852 2529 6087/+852 2865 0990
Email: hkinfo00008@computershare.com.hk

Shareholders who have chosen to receive the Interim Report 2010 by electronic means through the Company's website and who, for any reason, have difficulty in receiving or gaining access to the Interim Report 2010 will promptly, upon request in writing or by email to the Company's Share Registrars – Computershare Hong Kong Investor Services Limited, be sent the Interim Report 2010 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 reasonable prior notice in writing or by email to the Company's Share Registrars.

LISTINGS

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

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

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

STOCK CODES

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

SHARE INFORMATION

Board lot:	1,000 shares
Issued shares as at June 30, 2010:	6,772,294,654 shares

DIVIDEND

Interim dividend per share for the six months ended June 30, 2010:
5.10 HK cents per ordinary share

REGISTRARS

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

ADR DEPOSITARY

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

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

Philana WY Poon

REGISTERED OFFICE

39/F, PCCW Tower
TaiKoo Place, 979 King's Road
Quarry Bay, Hong Kong
Telephone: +852 2888 2888
Fax: +852 2877 8877

INVESTOR RELATIONS

Cheung F. Tsang, PhD
PCCW Limited
34/F, PCCW Tower
TaiKoo Place, 979 King's Road
Quarry Bay, Hong Kong
Telephone: +852 2514 5084
Email: ir@pccw.com

WEBSITE

www.pccw.com

FORWARD-LOOKING STATEMENTS

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

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

- possible negative effects of potentially new regulatory developments;
- increased competition in the Hong Kong telecommunications market;
- our ability to execute our business strategy, including our ability to enter into business combinations, strategic investments and acquisitions;
- our ability to implement our business plan as a consequence of our substantial debt;
- our exposure to interest rate risk;
- increased competition in the Hong Kong television market;
- our ability to secure or successfully implement new business opportunities or anticipated projects with Unicom;
- risks associated with PCPD, our property development subsidiary, including future property development plans;
- risks associated with the expansion of our operations outside Hong Kong; and
- 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 **(Incorporated in Hong Kong with limited liability)**

39/F, PCCW Tower, TaiKoo Place, 979 King's Road, Quarry Bay, Hong Kong
T: +852 2888 2888   F: +852 2877 8877   www.pccw.com

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