PCCW Limited
電 訊 盈 科 有 限 公 司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 0008)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2012

The directors ("Directors") of PCCW Limited ("PCCW" or the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended June 30, 2012. This condensed consolidated interim financial information has not been audited, but has been reviewed by the Company's Audit Committee and, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by the Company's independent auditor, PricewaterhouseCoopers.

- Core revenue increased by 1% to HK$11,058 million; consolidated revenue (including PCPD) decreased by 2% to HK$11,906 million
- Core EBITDA increased by 4% to HK$3,670 million; consolidated EBITDA (including PCPD) increased by 2% to HK$3,836 million
- Consolidated profit attributable to equity holders of the Company increased to HK$836 million; basic earnings per share amounted to 11.51 HK cents
- Interim dividend of 5.51 HK cents per ordinary share declared

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; core profit attributable to equity holders refers to consolidated profit attributable to equity holders of the Company excluding the Group's share of PCPD's profit after tax and effects of eliminations.

MANAGEMENT REVIEW

PCCW delivered a sound set of financial results for the first half of 2012, underpinned by the solid performance of the Telecom business (via about 63% interest in HKT Limited and the HKT Trust (collectively, "HKT")) and moderate growth in the Media and Solutions businesses.

Core revenue for the six months ended June 30, 2012 increased 1% year-on-year to HK$11,058 million, with core EBITDA increasing by 4% year-on-year to HK$3,670 million. Core profit attributable to equity holders, after accounting for about 37% non-controlling interest in HKT following its listing, also increased by 6% to HK$825 million. Assuming that about 37% non-controlling interest in HKT applied in the first half of 2011, core profit attributable to equity holders would have increased by 92% instead.

Revenue and EBITDA contributions from PCPD were lower at HK$848 million and HK$166 million respectively, compared with HK$1,250 million and HK$240 million a year earlier. As a result, consolidated revenue for the six months ended June 30, 2012, decreased by 2% to HK$11,906 million and consolidated EBITDA increased by 2% to HK$3,836 million. Consolidated profit attributable to equity holders of the Company increased modestly to HK$836 million. Basic earnings per share was 11.51 HK cents.

To strengthen its capital structure, PCCW successfully issued a US$300 million 10-year bond in April. At the time, the issue was the longest dated, unrated bond by an Asian corporate in 2012.

The board of Directors (the "Board") has resolved to declare an interim dividend of 5.51 HK cents per ordinary share for the six months ended June 30, 2012.

OUTLOOK

As the leading integrated telecom services provider in Hong Kong, HKT is well positioned to benefit from the increasing demand for high speed data connections. Barring any unforeseen circumstances, we remain confident that HKT will meet the forecasts for 2012 as disclosed in the HKT Global Offering prospectus.

Our Media business will strive to enhance ARPU by providing premium, exclusive content following on from our success with Euro 2012. With our own production and co-production, we are building a library with content that can be distributed to overseas Chinese markets. Discussions are underway with a number of pay TV operators and distributors. Moreover, the Media business will further leverage the technology capabilities within the Group to expand its customer reach by providing multi-screen viewing options and apps.

Our Solutions business will look to maintain and expand its leadership position in Hong Kong by providing reliable, end-to-end solutions for its customers. Further resource allocation in mainland China will be considered to service domestic projects as well as support offshore projects. We will also review opportunities arising from the growing demand for data centre services and the increasing adoption of cloud computing.

With a strong financial position underpinned by the solid performance of HKT, we will continue to grow our businesses while prudently examining new opportunities. As the global environment continues to show signs of weakness, management will pay close attention to macro-economic developments. We are cautiously optimistic about PCCW's outlook in the second half barring any unforeseen circumstances.

FINANCIAL REVIEW BY SEGMENTS

For the six months ended HK$ million	Jun 30, 2011	Dec 31, 2011	Jun 30, 2012	Better/ (Worse) y-o-y
Revenue[4]				
HKT	9,537	10,288	9,715	2%
Media Business	1,189	1,518	1,262	6%
Solutions Business	1,090	1,119	1,128	3%
Other Businesses	35	39	38	9%
Eliminations	(915)	(1,388)	(1,085)	(19)%
Core revenue	10,936	11,576	**11,058**	1%
PCPD	1,250	876	848	(32)%
Consolidated revenue	12,186	12,452	**11,906**	(2)%
Cost of sales	(5,499)	(5,898)	(5,281)	4%
Operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net	(2,912)	(2,744)	(2,789)	4%
EBITDA[1,4]				
HKT	3,623	3,788	3,736	3%
Media Business	231	400	217	(6)%
Solutions Business	157	226	168	7%
Other Businesses	(476)	(366)	(312)	34%
Eliminations	–	(331)	(139)	NA
Core EBITDA[1]	3,535	3,717	**3,670**	4%
PCPD	240	93	166	(31)%
Consolidated EBITDA[1]	3,775	3,810	**3,836**	2%
Core EBITDA margin[1]	*32%*	*32%*	*33%*	
Consolidated EBITDA margin[1]	*31%*	*31%*	*32%*	
Depreciation and amortization	(1,962)	(1,987)	(2,134)	(9)%
Gain/(Loss) on disposal of property, plant and equipment, net	1	–	(3)	NA
Other gains, net	99	44	12	(88)%
Interest income	33	38	27	(18)%
Finance costs	(763)	(802)	(469)	39%
Share of results of associates and jointly controlled companies	(8)	40	(43)	(438)%
Profit before income tax	1,175	1,143	**1,226**	4%

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, gain/loss on disposal of property, plant and equipment, investment properties and interests in leasehold land, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and 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 *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 3 *Group capital expenditure includes additions to property, plant and equipment, investment properties and interests in leasehold land.*

Note 4 *In November 2011, the Group completed an internal reorganization in connection with the HKT Global Offering. As a result, management has made changes to the Group's internal reporting that caused changes to reportable segments and segment presentation. The prior period's segment information has been restated to conform with the revised presentation.*

HKT

For the six months ended HK$ million	Jun 30, 2011	Dec 31, 2011	Jun 30, 2012	Better/ (Worse) y-o-y
HKT Revenue	9,537	10,288	**9,715**	2%
HKT EBITDA[1]	3,623	3,788	**3,736**	3%
HKT EBITDA margin[1]	*38%*	*37%*	***38%***	

During the first half of 2012, HKT delivered a solid performance across each of its business segments, highlighted by the fast-growing fiber broadband and mobile businesses. This resulted in a strong set of financial results with growth in revenue, EBITDA, net profit and most importantly, adjusted funds flow.

HKT revenue for the six months ended June 30, 2012 increased by 2% year-on-year to HK$9,715 million driven by the steady performance of the Telecommunications Services business and continued growth in the Mobile business. HKT EBITDA during the period was HK$3,736 million, an increase of 3% over the same period in 2011.

HKT's adjusted funds flow for the six months ended June 30, 2012 reached HK$1,430 million, an increase of 6% over the prior period. This represented 56% of the forecast of HK$2,574 million for the 12 months ending December 31, 2012 as provided in the HKT Global Offering prospectus. Adjusted funds flow per share stapled unit was 22.29 HK cents.

For more information about the performance of HKT, please refer to its 2012 interim results announcement released on August 9, 2012.

Media Business

For the six months ended **HK$ million**	**Jun 30, 2011**	**Dec 31, 2011**	**Jun 30, 2012**	Better/ (Worse) y-o-y
Media Business Revenue	1,189	1,518	**1,262**	6%
Media Business EBITDA[1]	231	400	**217**	(6)%
Media Business EBITDA margin[1]	*19%*	*26%*	***17%***	

The Media business continued to demonstrate its operating strength in the first half of 2012. Revenue for the period grew by 6% year-on-year to HK$1,262 million, driven by growth in its overall customer base and further enhancement in ARPU.

now TV continued to extend its leadership in the pay-TV market in Hong Kong by expanding its offering of premium, exclusive content such as Euro 2012 and latest release Hollywood and Asian movies on demand. In addition, the first half of 2012 saw the launch of a number of self-produced and co-produced channels such as now Mango and now Hairun. As of the end of June 2012, now TV produced more than 20 Chinese-language channels in general entertainment, news, sports, music and children's learning. The enrichment of now TV's content offering led to an improvement in ARPU to HK$172 compared with HK$167 a year earlier.

To drive further customer penetration, now TV leveraged the technological capabilities within the Group to devise multi-screen viewing options such as now player and develop popular apps. As a result, now TV recorded a net gain of 77,000 customers with the total installed subscriber base reaching 1.165 million by the end of June 2012, an increase of 7% from a year ago.

EBITDA for the period decreased by HK$14 million year-on-year to HK$217 million, reflecting the investments in our self-produced and co-produced channels, overseas distribution initiatives and initial costs in preparation of the granting of the free-to-air TV licence.

Solutions Business

For the six months ended HK$ million	Jun 30, 2011	Dec 31, 2011	Jun 30, 2012	Better/ (Worse) y-o-y
Solutions Business Revenue	1,090	1,119	**1,128**	3%
Solutions Business EBITDA[1]	157	226	**168**	7%
Solutions Business EBITDA margin[1]	*14%*	*20%*	***15%***	

PCCW Solutions made steady progress during the first half of 2012 consolidating its leadership position in the Hong Kong market and expanding its presence in the mainland China market.

Revenue for the six months ended June 30, 2012 edged up 3% year-on-year to HK$1,128 million. The order backlog as at June 30, 2012 grew to approximately HK$5 billion. Significant contract wins in the first half of 2012 included projects for customers in the consumer, retail, property and public sectors.

During the first half of 2012, PCCW Solutions expanded its headcount by over 200 year-on-year to service the growing pipeline in Hong Kong and the mainland China markets.

Benefitting from increased productivity and higher utilization of existing data center infrastructure, EBITDA for the period increased by 7% year-on-year to HK$168 million with the EBITDA margin slightly enhanced to 15% from 14% a year ago.

PCPD

PCPD recorded total revenue of HK$848 million and EBITDA of HK$166 million for the six months ended June 30, 2012, compared with HK$1,250 million and HK$240 million respectively, a year earlier.

During the first half of 2012, PCPD completed a share restructuring that resulted in PCCW holding a voting interest of approximately 74.5% in PCPD and an economic interest of approximately 93.6%.

Regarding the development in Hong Kong, formal agreements for sale and purchase of two houses of Villa Bel-Air were entered into in July 2012, leaving one house unsold at present. The investment property in Beijing, namely Pacific Century Place, enjoyed an average occupancy rate of approximately 66% for the six months ended June 30, 2012.

As for the two overseas projects in Japan and Thailand, they are proceeding in accordance with their respective schedules. The detailed design works of the Hanazono all-season resort project in Hokkaido, Japan has been progressing well, while the master plan of the project in Phang-nga, Thailand has already reached an advanced stage.

For more information about the performance of PCPD, please refer to its 2012 interim results announcement released on August 10, 2012.

Other Businesses

Other Businesses primarily comprise the wireless broadband business in the United Kingdom and corporate support functions. Revenue from Other Businesses was HK$38 million for the six months ended June 30, 2012 (June 30, 2011: HK$35 million), while the cost of the Group's Other Businesses amounted to HK$312 million (June 30, 2011: HK$476 million).

Eliminations

Eliminations for the six months ended June 30, 2012 were HK$1,085 million (June 30, 2011: HK$915 million). Eliminations mainly represented eliminations of intra-group sale and transfer of rights to use certain equipment and assets in the ordinary course of business on an arm's length basis.

Costs

Cost of Sales

For the six months ended HK$ million	**Jun 30, 2011**	**Dec 31, 2011**	**Jun 30, 2012**	Better/ (Worse) y-o-y
The Group (excluding PCPD)	4,743	5,369	**4,801**	(1)%
PCPD	756	529	480	37%
Group Total	5,499	5,898	**5,281**	4%

The Group's consolidated total cost of sales for the six months ended June 30, 2012 decreased by 4% to HK$5,281 million mainly due to the lower cost of sales at PCPD. Gross margin increased to 56% from 55% a year ago.

Corresponding to the increase in core revenue, PCCW's core cost of sales also increased to HK$4,801 million for the period. The gross margin of core business remained stable at 57%.

General and Administrative Expenses

During the period as the inflationary environment persisted, the Group focused on enhancing operational efficiency and productivity. As a result, operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment dropped by 4% year-on-year to HK$2,789 million. Customer acquisition costs increased in line with business growth, and as a result, depreciation and amortization expenses increased by 9% year-on-year to HK$2,134 million. General and administrative expenses, therefore, increased modestly by 1% year-on-year to HK$4,926 million for the six months ended June 30, 2012.

EBITDA[1]

Solid performance in all core business segments led to an improvement in core EBITDA in the first half of 2012. Core EBITDA for the six months ended June 30, 2012 increased by 4% year-on-year to HK$3,670 million. Together with PCPD EBITDA of HK$166 million, consolidated EBITDA also increased by 2% year-on-year to HK$3,836 million for the period.

Interest Income and Finance Costs

Interest income for the six months ended June 30, 2012 fell to HK$27 million due to a lower average cash balance in the first half of 2012. Finance costs decreased by 39% year-on-year to HK$469 million, primarily due to the interest savings from the US$1 billion 7.75% guaranteed notes due 2011 which was repaid in November 2011. As a result, net finance cost dropped by 39% year-on-year to HK$442 million for the period.

Income Tax

Current income tax expense for the six months ended June 30, 2012 was HK$312 million, as compared to HK$247 million a year ago, mainly due to higher operating profit. During the period, a deferred income tax credit of HK$363 million was recorded mainly due to the utilization and recognition of previously unrecognized tax losses as certain loss-making companies had turned profitable. As a result, the Group recorded a net income tax credit of HK$51 million in the first half of 2012.

Non-controlling Interests

Non-controlling interests of HK$441 million primarily represented the net profit attributable to the non-controlling shareholders of HKT and 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, 2012 increased to HK$836 million (June 30, 2011: HK$824 million).

LIQUIDITY AND CAPITAL RESOURCES

The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholders' return 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 the cost of capital.

Taking advantage of the favorable fixed income market in April, the Group raised long-term funding of US$300 million through an issue of an unrated 10-year bond. The Group's gross debt[2], therefore, increased to HK$25,882 million as at June 30, 2012 (December 31, 2011: HK$23,592 million). Cash and cash equivalents decreased to HK$4,969 million as at June 30, 2012 (December 31, 2011: HK$5,397 million), mainly due to the repurchase of shares of PCPD during the period. The Group's net debt[2] was HK$20,913 million as at June 30, 2012 (December 31, 2011: HK$18,195 million).

As at June 30, 2012, the Group had a total of HK$27,265 million in committed bank loan facilities available for liquidity management, of which HK$15,422 million remained undrawn. Of these committed bank loan facilities, HKT accounted for HK$20,382 million, of which HK$8,542 million remained undrawn.

The Group's gross debt[2] to total assets was 56% as at June 30, 2012 (December 31, 2011: 51%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at June 30, 2012, Hong Kong Telecommunications (HKT) Limited, an indirect non-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[3]

Group capital expenditure for the six months ended June 30, 2012 was HK$922 million (June 30, 2011: HK$905 million), of which HKT accounted for about 92% for the period (June 30, 2011: 81%). Major outlays for the period were mainly in network expansion and enhancement to meet demand for high-speed broadband fiber services, mobile services and international networks.

Going forward, the Group will continue to invest in its delivery platform and networks taking into account 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 Group 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 Group’s policies and guidelines, 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, 2012, all cross currency swap contracts were designated as cash flow hedges and fair value hedges for the Group’s foreign currency denominated long-term borrowings.

CHARGE ON ASSETS

As at June 30, 2012, certain assets of the Group with an aggregate carrying value of HK$5,366 million (December 31, 2011: HK$5,476 million) were pledged to secure loans and bank loan facilities of the Group.

CONTINGENT LIABILITIES

HK$ million	As at Dec 31, 2011 (Audited)	**As at Jun 30, 2012 (Unaudited)**
Performance guarantees	444	**447**
Others	31	**35**
	475	**482**

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

HUMAN RESOURCES

As at June 30, 2012, the Group had approximately 19,800 employees (June 30, 2011: 19,800). About two-thirds of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines and the United States. The Group has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve the Group's business performance targets. Payment of bonuses is generally based on achievement of EBITDA 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 5.51 HK cents (June 30, 2011: 5.30 HK cents) per ordinary share for the six months ended June 30, 2012 to shareholders of the Company whose names appear on the register of members of the Company on Friday, September 14, 2012, payable on or around Thursday, October 4, 2012.

CLOSURE OF REGISTER OF MEMBERS

The Company's register of members will be closed from Thursday, September 13, 2012 to Friday, September 14, 2012 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend of 5.51 HK cents per ordinary share, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Transfer Office, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, September 12, 2012. Dividend warrants will be despatched to shareholders on or around Thursday, October 4, 2012.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended June 30, 2012, 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, 2012. Such condensed consolidated interim financial information has not been audited but has been reviewed by the Company's independent auditor.

CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles and complied with all relevant code provisions of the Code on Corporate Governance Practices (the "Former CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the period from January 1 to March 31, 2012. On April 1, 2012, the Former CG Code was amended and renamed as the Corporate Governance Code (the "New CG Code"). The Company has also complied with all relevant code provisions of the New CG Code during the period from April 1 to June 30, 2012, except that one of the independent non-executive Directors was unable to attend the annual general meeting of the Company held on May 3, 2012 (as provided for in Code Provision A.6.7) as he was engaged in other unavoidable matters. In respect of Code Provision D.1.4, the Board has approved in May 2012 the formal letters of appointment for Directors setting out the key terms and conditions of their appointment which were subsequently executed by all Directors.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.pccw.com/announcements) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2012 interim report will be despatched to shareholders of the Company and available on the above websites in due course.

By order of the Board
PCCW Limited
Chu Mee Lai, Helen
Company Secretary

Hong Kong, August 10, 2012

CONSOLIDATED INCOME STATEMENT
For the six months ended June 30, 2012

In HK$ million (except for earnings per share)	Note(s)	2011 (Unaudited)	**2012 (Unaudited)**
Turnover	2	12,186	**11,906**
Cost of sales		(5,499)	**(5,281)**
General and administrative expenses		(4,873)	**(4,926)**
Other gains, net	3	99	**12**
Interest income		33	**27**
Finance costs		(763)	**(469)**
Share of results of associates		6	**9**
Share of results of jointly controlled companies		(14)	**(52)**
Profit before income tax	2, 4	1,175	**1,226**
Income tax	5	(292)	**51**
Profit for the period		883	**1,277**
Attributable to:			
Equity holders of the Company		824	**836**
Non-controlling interests		59	**441**
		883	**1,277**
Interim dividend declared after the interim period	6(a)	385	**401**
Earnings per share	7		
Basic		11.33 cents	**11.51 cents**
Diluted		11.33 cents	**11.51 cents**

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at June 30, 2012

In HK$ million	Note	The Group As at December 31, 2011 (Audited)	 **As at** **June 30,** **2012** **(Unaudited)**	The Company As at December 31, 2011 (Audited)	 **As at** **June 30,** **2012** **(Unaudited)**
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		15,477	**15,187**	–	**–**
Investment properties		5,384	**5,337**	–	**–**
Interests in leasehold land		530	**519**	–	**–**
Properties held for/under development		1,105	**1,132**	–	**–**
Goodwill		3,170	**3,171**	–	**–**
Intangible assets		2,812	**3,156**	–	**–**
Investments in subsidiaries		–	**–**	12,089	**12,089**
Interests in associates		402	**486**	–	**–**
Interests in jointly controlled companies		515	**501**	–	**–**
Held-to-maturity investments		2	**1**	–	**–**
Available-for-sale financial assets		575	**601**	–	**–**
Derivative financial instruments		275	**285**	–	**–**
Deferred income tax assets		148	**493**	–	**–**
Other non-current assets		514	**519**	–	**38**
		30,909	**31,388**	12,089	**12,127**
Current assets					
Properties for sale		455	**156**	–	**–**
Amounts due from subsidiaries		–	**–**	17,423	**15,228**
Sales proceeds held in stakeholders' accounts		632	**581**	–	**–**
Restricted cash		735	**1,307**	32	**32**
Prepayments, deposits and other current assets		3,497	**3,991**	10	**40**
Inventories		1,166	**1,206**	–	**–**
Amounts due from related companies		–	**7**	–	**–**
Trade receivables, net	8	3,084	**3,026**	–	**–**
Tax recoverable		7	**2**	–	**–**
Cash and cash equivalents		5,365	**4,937**	87	**1,521**
		14,941	**15,213**	17,552	**16,821**

CONSOLIDATED AND COMPANY BALANCE SHEETS (CONTINUED)
As at June 30, 2012

In HK$ million	Note	The Group As at December 31, 2011 (Audited)	The Group **As at** **June 30,** **2012** **(Unaudited)**	The Company As at December 31, 2011 (Audited)	The Company **As at** **June 30,** **2012** **(Unaudited)**
Current liabilities					
Short-term borrowings		(40)	**(3)**	–	**–**
Trade payables	9	(1,777)	**(1,887)**	–	**–**
Accruals and other payables		(4,134)	**(3,323)**	(19)	**(8)**
Amount payable to the Government under the Cyberport Project Agreement		(603)	**(810)**	–	**–**
Carrier licence fee liabilities		(187)	**(242)**	–	**–**
Amounts due to related companies		(27)	**(6)**	–	**–**
Advances from customers		(1,750)	**(1,626)**	–	**–**
Current income tax liabilities		(786)	**(1,069)**	–	**–**
Dividend payable		(1,443)	**–**	(1,443)	**–**
		(10,747)	**(8,966)**	(1,462)	**(8)**
Net current assets		4,194	**6,247**	16,090	**16,813**
Total assets less current liabilities		35,103	**37,635**	28,179	**28,940**
Non-current liabilities					
Long-term borrowings		(23,470)	**(25,786)**	–	**–**
Deferred income tax liabilities		(2,222)	**(2,198)**	–	**–**
Deferred income		(893)	**(937)**	–	**–**
Defined benefit liability		(3)	**(3)**	–	**–**
Carrier licence fee liabilities		(815)	**(797)**	–	**–**
Other long-term liabilities		(120)	**(99)**	–	**–**
		(27,523)	**(29,820)**	–	**–**
Net assets		7,580	**7,815**	28,179	**28,940**
CAPITAL AND RESERVES					
Share capital		1,818	**1,818**	1,818	**1,818**
Reserves		4,286	**6,669**	26,361	**27,122**
Equity attributable to equity holders of the Company		6,104	**8,487**	28,179	**28,940**
Non-controlling interests		1,476	**(672)**	–	**–**
Total equity		7,580	**7,815**	28,179	**28,940**

NOTES

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 (the "Stock Exchange") 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 consolidated financial statements for the year ended December 31, 2011.

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 10, 2012.

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 the 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 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 consolidated financial statements for the year ended December 31, 2011, 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, 2012.

The following new HKFRSs are mandatory for the first time for the financial year beginning January 1, 2012, but have no material effect on the Group's results and financial position for the current and prior periods.

- HKFRS 1 (Amendment) Severe hyperinflation and removal of fixed dates for first-time adopters
- HKFRS 7 (Amendment) Disclosures – Transfers of financial assets
- HKAS 12 (Amendment) Deferred tax: Recovery of underlying assets

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 internal reports.

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

- HKT Limited (“HKT”) is Hong Kong’s premier telecommunications service provider. It provides a range of services including local telephony, local data and broadband, international telecommunications, mobile and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centers. It operates primarily in Hong Kong and maintains a presence in mainland China as well as other parts of the world.

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

- Solutions Business 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 the Asia Pacific region.

- 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”). The EBITDA represents earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortization of land lease premium and intangible assets, gain/loss on disposal of property, plant and equipment, investment properties and interests in leasehold land, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and jointly controlled companies, and the Group’s share of results of associates and jointly controlled companies.

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

2. SEGMENT INFORMATION (CONTINUED)

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

For the six months ended June 30, 2011
(In HK$ million)

	*HKT (Unaudited)	Media Business (Unaudited)	*Solutions Business (Unaudited)	*Other Businesses (Unaudited)	PCPD (Unaudited)	Eliminations (Unaudited)	Consolidated (Unaudited)
REVENUE							
Total Revenue	9,537	1,189	1,090	35	1,250	(915)	12,186
RESULTS							
EBITDA	3,623	231	157	(476)	240	–	3,775

For the six months ended June 30, 2012
(In HK$ million)

	HKT (Unaudited)	**Media Business** (Unaudited)	**Solutions Business** (Unaudited)	**Other Businesses** (Unaudited)	**PCPD** (Unaudited)	**Eliminations** (Unaudited)	**Consolidated** (Unaudited)
REVENUE							
Total Revenue	**9,715**	**1,262**	**1,128**	**38**	**848**	**(1,085)**	**11,906**
RESULTS							
EBITDA	**3,736**	**217**	**168**	**(312)**	**166**	**(139)**	**3,836**

* In November 2011, the Group completed an internal reorganization in connection with the global offering of the share stapled units of the HKT Trust and HKT ("Share Stapled Units") and the listing of the HKT Trust and HKT on the Main Board of the Stock Exchange (the "HKT Global Offering"). As a result, management has made changes to the Group's internal reporting that caused changes to reportable segments and segment presentation. The prior period's segment information has been restated to conform with the revised presentation.

2. SEGMENT INFORMATION (CONTINUED)

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

In HK$ million	Six months ended June 30, 2011 (Unaudited)	**Six months ended June 30, 2012 (Unaudited)**
Total segment EBITDA	3,775	**3,836**
Gain/(Loss) on disposal of property, plant and equipment, net	1	**(3)**
Depreciation and amortization	(1,962)	**(2,134)**
Other gains, net	99	**12**
Interest income	33	**27**
Finance costs	(763)	**(469)**
Share of results of associates and jointly controlled companies	(8)	**(43)**
Profit before income tax	1,175	**1,226**

3. OTHER GAINS, NET

In HK$ million	Six months ended June 30, 2011 (Unaudited)	**Six months ended June 30, 2012 (Unaudited)**
Net gain on cash flow hedging instruments transferred from equity	21	**6**
Recovery of impairment loss on an interest in a jointly controlled company	104	**–**
Impairment loss on an interest in a jointly controlled company	(16)	**–**
Others	(10)	**6**
	99	**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, 2011 (Unaudited)	**Six months ended June 30, 2012 (Unaudited)**
Crediting:		
Revenue from properties sold	1,027	**636**
Charging:		
Cost of inventories sold	963	**905**
Cost of properties sold	726	**436**
Cost of sales, excluding inventories and properties sold	3,810	**3,940**
Depreciation of property, plant and equipment	1,329	**1,228**
Amortization of intangible assets	622	**895**
Amortization of land lease premium – interests in leasehold land	11	**11**
Finance costs on borrowings	721	**432**
Staff costs	1,413	**1,277**

5. INCOME TAX

In HK$ million	Six months ended June 30, 2011 (Unaudited)	**Six months ended June 30, 2012 (Unaudited)**
Current income tax:		
Hong Kong profits tax	217	**275**
Overseas tax	30	**37**
Movement of deferred income tax	45	**(363)**
	292	**(51)**

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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, 2011 (Unaudited)	**Six months ended June 30, 2012 (Unaudited)**
Interim dividend declared after the interim period of 5.51 HK cents (2011: 5.30 HK cents) per ordinary share	385	**401**

At a meeting held on August 10, 2012, the Directors declared an interim dividend of 5.51 HK cents per ordinary share for the year ending December 31, 2012. This interim dividend is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information.

b. Dividends approved and paid during the interim period

In HK$ million	Six months ended June 30, 2011 (Unaudited)	**Six months ended June 30, 2012 (Unaudited)**
Final dividend in respect of the previous financial year, approved and paid during the interim period of 10.60 HK cents (2011: 10.20 HK cents) per ordinary share	742	**771**

c. Special dividend by way of distributions in specie

During the year ended December 31, 2011, the Company declared a conditional special dividend to be satisfied by way of two distributions in specie of Share Stapled Units representing an aggregate of approximately 5% of the Share Stapled Units in issue immediately following the completion of the HKT Global Offering ("Distributions in Specie"). The Distributions in Specie became unconditional upon the listing of the Share Stapled Units on the Main Board of the Stock Exchange on November 29, 2011. Accordingly, the estimated dividend payable of approximately HK$1,443 million was recorded, which was measured at the fair value of approximately 5% of the Share Stapled Units to be distributed on the date when the Distributions in Specie became unconditional.

During the six months ended June 30, 2012, the Company settled the Distributions in Specie on the basis of 1 Share Stapled Unit for every integral multiple of 46 ordinary shares of the Company in March 2012 and May 2012, respectively. A total of 316,160,960 Share Stapled Units with an aggregate market value as at the respective dates of the Distributions in Specie of HK$1,839 million were distributed to the eligible shareholders of the Company accordingly.

7. EARNINGS PER SHARE

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

	Six months ended June 30, 2011 (Unaudited)	Six months ended **June 30, 2012 (Unaudited)**
Earnings (in HK$ million)		
Earnings for the purposes of basic and diluted earnings per share	824	**836**
Number of shares		
Number of ordinary shares at beginning of year	7,272,294,654	**7,272,294,654**
Effect of share purchased from the market under the Company's share award schemes	–	**(6,616,103)**
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	7,272,294,654	**7,265,678,551**

8. TRADE RECEIVABLES, NET

The aging of trade receivables is set out below:

In HK$ million	As at December 31, 2011 (Audited)	**As at June 30, 2012 (Unaudited)**
0 – 30 days	1,678	**1,671**
31 – 60 days	497	**576**
61 – 90 days	212	**238**
91 – 120 days	132	**239**
Over 120 days	737	**524**
	3,256	**3,248**
Less: Impairment loss for doubtful debts	(172)	**(222)**
	3,084	**3,026**

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 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

The aging of trade payables is set out below:

In HK$ million	As at December 31, 2011 (Audited)	**As at June 30, 2012 (Unaudited)**
0 – 30 days	791	**701**
31 – 60 days	111	**156**
61 – 90 days	55	**71**
91 – 120 days	38	**55**
Over 120 days	782	**904**
	1,777	**1,887**

As at the date of this announcement, the Directors are:

Executive Directors
Li Tzar Kai, Richard (Chairman); Chan Ching Cheong, George (Group Managing Director); Hui Hon Hing, Susanna (Group Chief Financial Officer) and Lee Chi Hong, Robert

Non-Executive Directors
Sir David Ford, KBE, LVO; Tse Sze Wing, Edmund, GBS; Lu Yimin (Deputy Chairman); Li Fushen; Li Gang and Wei Zhe, David

Independent Non-Executive Directors
Dr The Hon Sir David Li Kwok Po, GBM, GBS, OBE, JP; Aman Mehta; Frances Waikwun Wong and Bryce Wayne Lee

Forward-Looking Statements

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