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PCCW Limited
電訊盈科有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 0008)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2013

The directors ("Directors") of PCCW Limited ("PCCW" or the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended December 31, 2013.

- Core revenue increased by 10% to HK$26,643 million; consolidated revenue (including PCPD) increased by 8% to HK$27,317 million
- Core EBITDA increased by 6% to HK$8,129 million; consolidated EBITDA (including PCPD) increased by 3% to HK$8,033 million
- Consolidated profit attributable to equity holders of the Company increased by 13% to HK$1,885 million; basic earnings per share amounted to 25.98 HK cents
- Final dividend of 13.85 HK cents per ordinary share

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.

MANAGEMENT REVIEW

We are pleased to announce a set of robust financial results by PCCW for the year ended December 31, 2013 which were achieved on the back of another year of solid financial performance by HKT Limited and the HKT Trust (collectively "HKT") and the Media and Solutions businesses delivering on their growth potential.

Core revenue for the year ended December 31, 2013 increased by 10% to HK$26,643 million and core EBITDA increased by 6% to HK$8,129 million with strong contribution from the telecommunications business, enhanced profitability of the Media business and broad improvement in the Solutions business.

Including PCPD, consolidated revenue for the year ended December 31, 2013 increased by 8% to HK$27,317 million and consolidated EBITDA increased by 3% to HK$8,033 million. Consolidated profit attributable to equity holders of the Company increased by 13% to HK$1,885 million. Basic earnings per share were 25.98 HK cents.

The board of Directors (the "Board") has recommended the payment of a final dividend of 13.85 HK cents per ordinary share for the year ended December 31, 2013.

OUTLOOK

Entering its second decade of operation, now TV will continue to strengthen its programming and production capabilities in order to bring viewers higher quality and differentiated content. As now TV has firmly established its leadership in the pay TV market, we look forward to also bringing better programming choices to viewers of free television in Hong Kong as soon as practicable, subject to agreement on the final license terms with the Government.

PCCW Solutions is expected to exhibit sustained growth capitalizing on its leading position in the IT services industry and riding on the endogenous growth of data center on the back of structural demand of data traffic. It will also explore opportunities to expand beyond Hong Kong and China as part of its longer-term growth strategy.

In 2014, HKT will continue to capitalize on its fiber-to-the-home ("FTTH") network advantages locally and on its global network coverage with additional capacity and resilience internationally to drive profitability and cashflow growth. In December 2013, HKT proposed to acquire CSL New World Mobility Limited. The transaction is subject to shareholder and regulatory approvals.

The PCCW team will continue to work diligently with a view to maximizing the return for shareholders.

FINANCIAL REVIEW BY SEGMENT

For the year ended December 31, HK$ million	2012 H1	2012 H2 (Restated)[4]	2012 Full Year (Restated)[4]	2013 H1	2013 H2	2013 Full Year	Better/(Worse) y-o-y
Revenue							
HKT	9,715	11,366	**21,081**	11,071	11,761	**22,832**	8%
Media Business	1,262	1,546	**2,808**	1,299	1,721	**3,020**	8%
Solutions Business	1,128	1,349	**2,477**	1,393	1,568	**2,961**	20%
Other Businesses	38	33	**71**	28	30	**58**	(18)%
Eliminations	(1,085)	(1,218)	**(2,303)**	(976)	(1,252)	**(2,228)**	3%
Core revenue	11,058	13,076	**24,134**	12,815	13,828	**26,643**	10%
PCPD	848	336	**1,184**	499	175	**674**	(43)%
Consolidated revenue	11,906	13,412	**25,318**	13,314	14,003	**27,317**	8%
Cost of sales	(5,281)	(6,535)	**(11,816)**	(6,343)	(6,768)	**(13,111)**	(11)%
Operating costs before depreciation, amortization, and (loss)/gain on disposal of property, plant and equipment and intangible assets, net	(2,789)	(2,927)	**(5,716)**	(3,025)	(3,148)	**(6,173)**	(8)%
EBITDA[1]							
HKT	3,736	3,933	**7,669**	3,839	4,062	**7,901**	3%
Media Business	217	274	**491**	223	285	**508**	3%
Solutions Business	168	267	**435**	217	303	**520**	20%
Other Businesses	(312)	(273)	**(585)**	(268)	(286)	**(554)**	5%
Eliminations	(139)	(192)	**(331)**	(75)	(171)	**(246)**	26%
Core EBITDA[1]	3,670	4,009	**7,679**	3,936	4,193	**8,129**	6%
PCPD	166	(59)	**107**	10	(106)	**(96)**	NA
Consolidated EBITDA[1]	3,836	3,950	**7,786**	3,946	4,087	**8,033**	3%
Core EBITDA[1] Margin	*33%*	*31%*	***32%***	*31%*	*30%*	***31%***	
Consolidated EBITDA[1] Margin	*32%*	*29%*	***31%***	*30%*	*29%*	***29%***	
Depreciation and amortization	(2,134)	(2,287)	**(4,421)**	(2,266)	(2,305)	**(4,571)**	(3)%
(Loss)/Gain on disposal of property, plant and equipment and intangible assets, net	(3)	(10)	**(13)**	5	4	**9**	NA
Other gains, net	12	359	**371**	196	489	**685**	85%
Interest income	27	35	**62**	37	43	**80**	29%
Finance costs	(469)	(497)	**(966)**	(595)	(516)	**(1,111)**	(15)%
Share of results of associates and joint ventures	(43)	21	**(22)**	32	108	**140**	NA
Profit before income tax	1,226	1,571	**2,797**	1,355	1,910	**3,265**	17%

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, interests in leasehold land and intangible assets, 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 joint ventures, and the Group's share of results of associates and joint ventures. 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 short-term deposits.*

Note 3 *Group capital expenditure includes additions to property, plant and equipment and interests in leasehold land.*

Note 4 *Please refer to Note 1(a)(i) of the audited consolidated results for details.*

HKT

For the year ended December 31, HK$ million	2012 H1	2012 H2	2012 Full Year	2013 H1	2013 H2	2013 Full Year	Better/ (Worse) y-o-y
HKT Revenue	9,715	11,366	**21,081**	11,071	11,761	**22,832**	8%
HKT EBITDA[1]	3,736	3,933	**7,669**	3,839	4,062	**7,901**	3%
HKT EBITDA[1] margin	*38%*	*35%*	***36%***	*35%*	*35%*	***35%***	
HKT Adjusted Funds Flow	1,430	1,242	**2,672**	1,484	1,417	**2,901**	8.6%

HKT reported another set of solid financial results for the year ended December 31, 2013. Total revenue for the year ended December 31, 2013 increased by 8% to HK$22,832 million and total EBITDA for the year was HK$7,901 million, an increase of 3% over the previous year. Adjusted funds flow for the year ended December 31, 2013 reached HK$2,901 million, an increase of 8.6% over the previous year. Adjusted funds flow per Share Stapled Unit was 45.21 HK cents. As a result, HKT declared the payment of a final distribution of 24.21 HK cents per Share Stapled Unit for the year ended December 31, 2013. This brings the 2013 full-year distribution to 45.21 HK cents per Share Stapled Unit representing the complete payout of the adjusted funds flow per Share Stapled Unit.

The strong full year performance was driven by the resilience of HKT's local telephony business, healthy adoption of the FTTH service and broad improvement in the Mobile business. HKT's performance in 2013 also benefited from the successful integration and full-year consolidation of the Gateway branded business in Europe and Africa.

On December 20, 2013, PCCW and HKT jointly announced the proposed acquisition of the entire issued share capital of CSL New World Mobility Limited by HKT. The acquisition is subject to shareholders' and regulatory approvals.

For a more detailed review of the performance of HKT, please refer to its 2013 annual results announcement released on February 26, 2014.

Media Business

For the year ended December 31, HK$ million	2012 H1	2012 H2	2012 Full Year	2013 H1	2013 H2	2013 Full Year	Better/ (Worse) y-o-y
Media Business Revenue	1,262	1,546	**2,808**	1,299	1,721	**3,020**	8%
Media Business EBITDA[1]	217	274	**491**	223	285	**508**	3%
Media Business EBITDA[1] margin	*17%*	*18%*	***17%***	*17%*	*17%*	***17%***	

Revenue for the Media business for the year ended December 31, 2013 grew by 8% to HK$3,020 million. The growth in revenue was driven by subscription revenue growth at now TV reflecting the encouraging take up of the Super Sports Pack. The total installed now TV subscriber base reached 1,237,000 by the end of December 2013 representing a net gain of 54,000 subscribers, an increase of 5% from 12 months ago. More importantly, now TV's exit average revenue per user ("ARPU") continued to increase, rising 8% from HK$173 to HK$187 per month.

now TV commenced the exclusive broadcast of the Barclays Premier League ("BPL") in August 2013. Promotion and marketing of the Super Sports Pack commenced early in 2013 and the take-up has been encouraging. To enhance the viewing experience, subscribers can watch BPL in Super HD format through a FTTH transmission and can enjoy many viewer-friendly interactive features such as TimeShift, where viewers can pause, resume and rewind the content during live broadcast.

The Media business made further progress in expanding outside of Hong Kong. Following the distribution of several now TV channels to Malaysia and Canada in 2012, the Media business continued to expand its international distribution through partnerships with Cable Thai Holding in Thailand, DISH, one of the largest satellite platforms in the U.S., and StarHub, Singapore's largest pay TV and Internet operator.

EBITDA for the Media business increased by 3% to HK$508 million from HK$491 million with the margin remaining steady at 17% in the midst of a four-month impact of the BPL costs and the start up costs associated with our efforts to tap the international markets.

Solutions Business

For the year ended December 31, HK$ million	2012 H1	2012 H2	2012 Full Year	2013 H1	2013 H2	2013 Full Year	Better/ (Worse) y-o-y
Solutions Business Revenue	1,128	1,349	**2,477**	1,393	1,568	**2,961**	20%
Solutions Business EBITDA[1]	168	267	**435**	217	303	**520**	20%
Solutions Business EBITDA[1] margin	*15%*	*20%*	***18%***	*16%*	*19%*	***18%***	

Revenue for the Solutions business for the year ended December 31, 2013 increased by an impressive 20% to HK$2,961 million from HK$2,477 million a year ago. The growth in revenue was achieved through the timely and successful execution of projects, growing demand for data centre capacity and cloud computing as well as the contributions from the newly acquired businesses.

The Solutions business has undertaken two strategic acquisitions, namely Vandasoft Technology Holdings Limited at the end of 2012 and Compass Solutions Holdings Limited (“Compass”) in the first half of 2013 to complement its organic growth and plant the seeds of future expansion. Compass brings a 200-strong team of professionals with in-depth expertise in SAP Enterprise Resource Planning (“ERP”) implementation and training to the Solutions business. Both acquisitions have been successfully integrated and have provided the Solutions business with additional capabilities and expanded its customer base.

EBITDA for the year rose by 20% to HK$520 million from HK$435 million a year ago largely due to growth of the organic business, with the margin being maintained at a healthy 18%. The strong growth in EBITDA reflects the healthy mix of project based and recurring revenue and prudent management of its staff costs. EBITDA contribution from the two newly acquired businesses was still limited during the year.

As at December 31, 2013, the Solutions business had secured orders with a value of HK$6,392 million, representing an increase of 15% during the year. The growth in secured orders reflects the strong track record and reputation of the Solutions business, the recurring nature of its business and its increasing focus on cloud-related services, which will become an increasingly important segment of the IT outsourcing industry.

PCPD

PCPD recorded total revenue of HK$674 million and negative EBITDA of HK$96 million for the year ended December 31, 2013, compared with total revenue of HK$1,184 million and EBITDA of HK$107 million a year earlier.

In Hong Kong, PCPD has sold all of the remaining houses at Villa Bel-Air.

In mainland China, the average occupancy rate of the Pacific Century Place was approximately 59% for the year ended December 31, 2013 which has taken into account the increase in vacant space upon the expiry of the lease of the department store at the property.

For PCPD's overseas projects, the progress of the detailed designs of Hanazono all-season resort project in Hokkaido, Japan, is on schedule. As for the project in Phang-nga, Southern Thailand, the master plan for the project has reached an advanced stage. In May 2013, PCPD entered into an agreement for the acquisition of a plot of land in the central business district of Jakarta, Indonesia. The plan is to invest up to approximately US$400 million for the development of a 40-storey Grade A office building. This project has now quickly proceeded to the design and planning stage. On January 21, 2014, PCPD was granted term loan facilities of up to an aggregate amount of US$200 million for financing the development of this Indonesian project. Such facilities are secured by the shares and assets of certain subsidiaries of PCPD.

For more information about the performance of PCPD, please refer to its 2013 annual results announcement released on February 25, 2014.

Other Businesses

Other Businesses primarily comprised the wireless broadband business in the United Kingdom and corporate support functions. Revenue from Other Businesses was HK$58 million for the year ended December 31, 2013 (2012: HK$71 million), while the cost of the Group's Other Businesses decreased by 5% to HK$554 million in 2013 (2012: HK$585 million) as we continued our efforts to streamline back office support and processes to drive operating efficiency.

Eliminations

Eliminations for the year ended December 31, 2013 were HK$2,228 million (2012: HK$2,303 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 year ended December 31, HK$ million	2012 H1	2012 H2	2012 Full Year	2013 H1	2013 H2	2013 Full Year	Better/ (Worse) y-o-y
The Group (excluding PCPD)	4,801	6,384	**11,185**	6,073	6,722	**12,795**	(14)%
PCPD	480	151	**631**	270	46	**316**	50%
Group Total	5,281	6,535	**11,816**	6,343	6,768	**13,111**	(11)%

The Group's consolidated total cost of sales for the year ended December 31, 2013 increased by 11% to HK$13,111 million. This comprised a 14% increase in cost of sales for the core business which was in line with the increase in core revenue and lower cost of sales for PCPD.

General and Administrative Expenses

During the year, the operating expenses before depreciation and amortization, and (loss)/gain on disposal of property, plant and equipment and intangible assets, net, increased to HK$6,173 million, compared to HK$5,716 million a year ago. The increase was to support the continued growth in each of HKT's business units and the business expansion of the Media and Solutions businesses. Other contributing factors included inflationary pressure on staff costs and rental expenses.

Depreciation and amortization expenses increased by 3% to HK$4,571 million driven by an increase in amortization expenses which reflected prior year customer acquisition costs at HKT, particularly within the Mobile business, and a slight decline in depreciation expenses.

As a result, general and administrative expenses increased by 6% to HK$10,735 million for the year ended December 31, 2013.

EBITDA[1]

Core EBITDA for the year ended December 31, 2013 increased by 6% to HK$8,129 million representing a margin of 31%. Consolidated EBITDA increased by 3% to HK$8,033 million for the year representing a margin of 29%.

Interest Income and Finance Costs

Interest income for the year ended December 31, 2013 increased to HK$80 million due to a higher average cash balance during the year. Finance costs increased by 15% to HK$1,111 million due to the negative carry on the issue of US$500 million 10-year guaranteed notes in March 2013 at HKT to refinance the US$500 million 10-year guaranteed notes due in July 2013 which were subsequently repaid upon maturity, the full-year impact of US$300 million 10-year guaranteed notes issued in April 2012 by PCCW and the drawdown of banking facilities by PCPD for its Indonesian project. In addition, there was a one-off, non-cash write-off of previously unamortized fees at HKT for banking facilities upon refinancing.

Income Tax

Income tax expense for the year ended December 31, 2013 decreased to HK$210 million, as compared to HK$232 million a year ago. The decrease in tax expenses was primarily due to the utilization and recognition of previously unrecognized tax losses as certain loss-making companies had turned profitable during the year and the reversal of certain tax provision in respect of prior years.

Non-controlling Interests

Non-controlling interests increased by 29% to HK$1,170 million for the year ended December 31, 2013, which 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 year ended December 31, 2013 increased by 13% to HK$1,885 million (2012: HK$1,661 million).

LIQUIDITY AND CAPITAL RESOURCES

The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholder return and a sound capital position. Adjustments are made, when necessary, 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 market environment and historically low Treasury yield in the United States, HKT raised US$500 million through the issue of 10-year guaranteed notes at a coupon rate of 3.75% in March 2013 to refinance the US$500 million 6% guaranteed notes due in July 2013 which was subsequently repaid upon maturity.

The Group's gross debt[2] increased to HK$30,056 million as at December 31, 2013 (December 31, 2012: HK$26,542 million). Cash and cash equivalents increased to HK$5,509 million as at December 31, 2013 (December 31, 2012: HK$4,553 million). Net debt[2] increased to HK$24,537 million as at December 31, 2013 (December 31, 2012: HK$21,989 million), largely due to the drawdown of banking facilities by PCPD to finance its project in Indonesia.

As at December 31, 2013, the Group had a total of HK$24,150 million in committed bank loan facilities available for liquidity management, of which HK$8,134 million remained undrawn. Of these committed bank loan facilities, HKT accounted for HK$17,676 million, of which HK$4,750 million remained undrawn.

The Group's gross debt[2] to total assets was 56% as at December 31, 2013 (December 31, 2012: 53%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at December 31, 2013, 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 year ended December 31, 2013 was HK$2,607 million (2012: HK$2,275 million), of which HKT accounted for about 78% in 2013 (2012: 85%). Major outlays for the year were mainly in network expansion and enhancement to meet demand for high-speed broadband fiber services, mobile services and international networks, while the remainder was mainly used to expand the data center capacity of the Solutions business and upgrade of equipment for the Media business.

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 exposure related to cash investments and borrowings. As a matter of policy, the Group continues to manage the market risk directly relating to its operations and financing and does not undertake any speculative derivative trading activities. The 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.

More than three quarters of the Group's consolidated revenue and costs are denominated in Hong Kong dollars. For those operations with revenues denominated in foreign currencies, the related costs and expenses are usually denominated in the same foreign currencies and hence providing a natural hedge against each other. Therefore, the Group is not exposed to significant foreign currency fluctuation risk from operations.

As for financing, a significant portion of the Group's debt is denominated in United States dollars. Accordingly, the Group has entered into swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at December 31, 2013, all cross currency interest rate swap contracts were designated as cash flow hedges and/or fair value hedges for the Group's foreign currency denominated long-term borrowings.

As a result, the Group's operational and financial risks are considered minimal.

CHARGE ON ASSETS

As at December 31, 2013, certain assets of the Group with an aggregate carrying value of HK$6,657 million (2012: HK$5,819 million) were pledged to secure loans and bank loan facilities of the Group.

CONTINGENT LIABILITIES

As at December 31, HK$ million	2012	**2013**
Performance guarantee	477	**399**
Others	91	**99**
	568	**498**

The Group is subject to certain corporate guarantee obligations to guarantee 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 December 31, 2013, the Group had approximately 22,200 employees (2012: 20,900). About 60% of these employees work in Hong Kong and the others are based mainly in mainland China and the Philippines. 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.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 13.85 HK cents (2012: 13.55 HK cents) per ordinary share for the year ended December 31, 2013 to shareholders whose names appear on the register of members of the Company on Thursday, May 15, 2014, subject to the approval of shareholders of the Company at the forthcoming annual general meeting which will be held on Thursday, May 8, 2014 ("AGM"). An interim dividend of 6.35 HK cents (2012: 5.51 HK cents) per ordinary share for the six months ended June 30, 2013 was paid by the Company in October 2013.

The final dividend will be payable in cash and the Board is proposing to offer shareholders eligible to participate the choice of a scrip dividend alternative (the "2013 Final Scrip Dividend Scheme"). The 2013 Final Scrip Dividend Scheme will be subject to (a) shareholders' approval of the final dividend at the AGM; and (b) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the 2013 Final Scrip Dividend Scheme. Full details of the 2013 Final Scrip Dividend Scheme will be set out in a circular proposed to be despatched to shareholders on or around Thursday, May 22, 2014.

CLOSURE OF REGISTER OF MEMBERS

The record date for the proposed final dividend will be Thursday, May 15, 2014. The Company's register of members will be closed from Wednesday, May 14, 2014 to Thursday, May 15, 2014 (both days inclusive) in order to determine entitlements to the proposed final dividend. During such period, no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (the "Share Registrar"), for registration no later than 4:30 p.m. on Tuesday, May 13, 2014. Subject to the approval of shareholders of the Company at the AGM, the final dividend warrants and the share certificates to be issued under the 2013 Final Scrip Dividend Scheme will be despatched to shareholders on or around Friday, June 20, 2014.

RECORD DATE FOR DETERMINING ELIGIBILITY TO ATTEND AND VOTE AT THE AGM

The record date for determining the entitlement of the shareholders of the Company to attend and vote at the AGM will be Monday, May 5, 2014. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Share Registrar for registration no later than 4:30 p.m. on Monday, May 5, 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2013, 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 audited consolidated financial statements of the Group for the year ended December 31, 2013.

CORPORATE GOVERNANCE CODE

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 its affairs are conducted in accordance with applicable laws and regulations.

The Company has applied the principles and complied with all applicable code provisions of the Corporate Governance 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 year ended December 31, 2013.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.pccw.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2013 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

By order of the Board of
PCCW Limited
Philana WY Poon
Group Company Secretary

Hong Kong, February 27, 2014

AUDITED CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2013
(In HK$ million except for earnings per share)

	Note(s)	2012 *(Restated)*	**2013**
Turnover	2	25,318	**27,317**
Cost of sales		(11,816)	**(13,111)**
General and administrative expenses		(10,150)	**(10,735)**
Other gains, net	3	371	**685**
Interest income		62	**80**
Finance costs		(966)	**(1,111)**
Share of results of associates		31	**57**
Share of results of joint ventures		(53)	**83**
Profit before income tax	2, 4	2,797	**3,265**
Income tax	5	(232)	**(210)**
Profit for the year		2,565	**3,055**
Attributable to:			
Equity holders of the Company		1,661	**1,885**
Non-controlling interests		904	**1,170**
Profit for the year		2,565	**3,055**
Earnings per share	7		
Basic		22.87 cents	**25.98 cents**
Diluted		22.87 cents	**25.95 cents**

AUDITED CONSOLIDATED AND COMPANY BALANCE SHEETS
(In HK$ million)

		The Group			The Company	
		As at	As at		As at	
		January 1,	December 31,		December 31,	
	Note	2012	2012	**2013**	2012	**2013**
		(Restated)	*(Restated)*			
ASSETS AND LIABILITIES						
Non-current assets						
Property, plant and equipment		15,477	15,534	**15,693**	–	**–**
Investment properties		5,384	5,804	**8,436**	–	**–**
Interests in leasehold land		530	512	**496**	–	**–**
Properties held for/under development	8	1,105	1,146	**1,024**	–	**–**
Goodwill		3,170	3,371	**3,469**	–	**–**
Intangible assets		2,812	3,385	**3,574**	–	**–**
Interests in subsidiaries		–	–	**–**	12,089	**12,089**
Interests in associates		402	591	**661**	–	**–**
Interests in joint ventures		515	539	**582**	–	**–**
Held-to-maturity investments		2	1	**1**	–	**–**
Available-for-sale financial assets		575	685	**706**	–	**–**
Derivative financial instruments		275	253	**67**	–	**–**
Deferred income tax assets		148	703	**1,078**	–	**–**
Other non-current assets		514	546	**571**	–	**–**
		30,909	33,070	**36,358**	12,089	**12,089**
Current assets						
Properties for sale	8	455	214	**–**	–	**–**
Amounts due from subsidiaries		–	–	**–**	17,756	**16,749**
Sales proceeds held in stakeholders' accounts	9	632	678	**541**	–	**–**
Restricted cash	10	735	1,319	**1,032**	–	**–**
Prepayments, deposits and other current assets		3,497	4,775	**5,396**	32	**8**
Inventories		1,166	1,084	**1,199**	–	**–**
Amounts due from related companies		–	93	**89**	–	**–**
Derivative financial instruments		–	4	**–**	–	**–**
Trade receivables, net	11	3,084	4,041	**3,501**	–	**–**
Tax recoverable		7	13	**302**	–	**–**
Short-term deposits		–	–	**10**	–	**–**
Cash and cash equivalents		5,365	4,553	**5,509**	888	**1,900**
		14,941	16,774	**17,579**	18,676	**18,657**

AUDITED CONSOLIDATED AND COMPANY BALANCE SHEETS (CONTINUED)
(In HK$ million)

	Note	The Group			The Company	
		As at January 1, 2012 *(Restated)*	As at December 31, 2012 *(Restated)*	As at December 31, **2013**	As at December 31, 2012	As at December 31, **2013**
Current liabilities						
Short-term borrowings		(40)	(8,540)	**(1)**	–	**–**
Trade payables	12	(1,777)	(2,380)	**(2,118)**	–	**–**
Accruals and other payables		(4,134)	(4,129)	**(4,420)**	(11)	**(10)**
Amount payable to the Government under the Cyberport Project Agreement	13	(603)	(959)	**(521)**	–	**–**
Carrier licence fee liabilities		(187)	(196)	**(205)**	–	**–**
Amounts due to related companies		(27)	(136)	**(126)**	–	**–**
Advances from customers		(1,750)	(1,903)	**(1,929)**	–	**–**
Current income tax liabilities		(786)	(1,169)	**(1,338)**	–	**–**
Dividend payable		(1,443)	–	**–**	–	**–**
		(10,747)	(19,412)	**(10,658)**	(11)	**(10)**
Net current assets/(liabilities)		4,194	(2,638)	**6,921**	18,665	**18,647**
Total assets less current liabilities		35,103	30,432	**43,279**	30,754	**30,736**
Non-current liabilities						
Long-term borrowings		(23,470)	(17,926)	**(29,074)**	–	**(1,575)**
Amount due to a subsidiary		–	–	**–**	(2,282)	**(2,010)**
Derivative financial instruments		–	(56)	**(711)**	(56)	**(306)**
Deferred income tax liabilities		(2,222)	(2,321)	**(2,658)**	–	**–**
Deferred income		(893)	(989)	**(951)**	–	**–**
Defined benefit liability		(136)	(182)	**(98)**	–	**–**
Carrier licence fee liabilities		(815)	(719)	**(605)**	–	**–**
Other long-term liabilities		(120)	(101)	**(549)**	–	**–**
		(27,656)	(22,294)	**(34,646)**	(2,338)	**(3,891)**
Net assets		7,447	8,138	**8,633**	28,416	**26,845**
CAPITAL AND RESERVES						
Share Capital		1,818	1,818	**1,818**	1,818	**1,818**
Reserves		4,153	6,982	**7,369**	26,598	**25,027**
Equity attributable to equity holders of the Company		5,971	8,800	**9,187**	28,416	**26,845**
Non-controlling interests		1,476	(662)	**(554)**	–	**–**
Total equity		7,447	8,138	**8,633**	28,416	**26,845**

NOTES

1. BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES

(a) The accounting policies and methods of computation used in preparing the financial information extracted from the audited consolidated financial statements are consistent with those followed in preparing the annual financial statements of PCCW Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended December 31, 2012, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which are relevant to the Group's operation and are effective for accounting periods beginning on or after January 1, 2013. The HKFRSs include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

i. HKAS 19 (2011), 'Employee Benefits'. HKAS 19 (2011) amends the accounting for employment benefits. The Group has adopted this standard retrospectively in accordance with the transition provisions of the standard and the effect of adoption is summarized as below:

- The standard requires past service cost to be recognized immediately in the income statement. This did not result in any adjustment to the Group's results and financial position.

- The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit liability and the discount rate, measured at the beginning of the year. There is no change to the computation of the discount rate; this continues to reflect the yield on long-term government bonds. The adoption of this change resulted in an adjustment of HK$2 million and HK$1 million being recognized as staff costs under general and administrative expenses in the consolidated income statement for the years ended December 31, 2012 and 2013, respectively.

- The standard introduces a new term "remeasurements" and is made up of actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost. The "remeasurements" effects resulted in an adjustment of HK$44 million being recognized as other comprehensive loss for the year ended December 31, 2012 and an adjustment of HK$85 million being recognized as other comprehensive income for the year ended December 31, 2013.

- "Defined benefit liability" as previously reported has been restated at the reporting dates to reflect the effect of the above. Balance of defined benefit liability has been restated as at January 1, 2012 to HK$136 million (previously HK$3 million); December 31, 2012 to HK$182 million (previously HK$3 million).

- The change in accounting policy did not result in any adjustments to the consolidated statement of cash flows for the year ended December 31, 2012. The basic and diluted earnings per share for the year ended December 31, 2012 were restated from 22.90 HK cents to 22.87 HK cents to reflect the effects of the aforementioned adjustments to the consolidated income statement.

1. BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

- Amendment to HKAS 1, ‘Presentation of Financial Statements’ regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in “other comprehensive income” on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). Since the change in accounting standard only affects the presentation aspects of the financial statements, there is no impact on earnings per share. These consolidated financial statements for the year ended December 31, 2013 have been prepared under the revised disclosure requirements.

ii. HKFRS 12, ‘Disclosures of Interests in Other Entities’, provide the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

iii. HKFRS 13, ‘Fair Value Measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned with other HKFRSs, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

The following new and revised HKFRSs are mandatory for the first time for the financial year beginning January 1, 2013, but have no material effect on the Group’s results and financial position for the current and prior accounting periods.

- HKAS 27 (2011), ‘Separate Financial Statements’.
- HKAS 28 (2011), ‘Investments in Associates and Joint Ventures’.
- HKFRS 1 (Revised) (Amendment), Accounting for Government Loans.
- HKFRS 7 (Amendment), Offsetting Financial Assets and Financial Liabilities.
- HKFRS 10, ‘Consolidated Financial Statements’.
- HKFRS 10 (Amendment), Transition Disclosures.
- HKFRS 11, ‘Joint Arrangements’.
- HKFRS 11 (Amendment), Transition Disclosures.
- HKFRS 12 (Amendment), Transition Disclosures.
- HK(IFRIC) – Int 20, ‘Stripping Costs in the Production Phase of a Surface Mine’.
- Annual Improvements 2009-2011 Cycle published in June 2012 by HKICPA.

(b) 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. Key accounting judgements and sources of estimation uncertainty are discussed below:

i. Useful lives of property, plant and equipment and intangible assets (other than goodwill)
The Group has significant property, plant and equipment and intangible assets (other than goodwill). The Group is required to estimate the useful lives of property, plant and equipment and intangible assets (other than goodwill) in order to ascertain the amount of depreciation and amortization charges for each reporting period.

1. BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

i. Useful lives of property, plant and equipment and intangible assets (other than goodwill) *(continued)*

The useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancement in technology. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

During the year ended December 31, 2013, the Group performed a review to reassess the useful lives of certain exchange equipment and transmission plant of the Group, based on the expectations of the Group's operational management and technological trend. The reassessment has resulted in a change in the estimated useful lives of these assets. The Group considers this to be a change in accounting estimate and has therefore accounted for the change prospectively from January 1, 2013. As a result of this change in accounting estimate, the Group's profit for the year ended December 31, 2013 increased by HK$87 million and the net assets as at December 31, 2013 increased by HK$87 million.

ii. Impairment of assets (other than investments in debt and equity securities and other receivables)

At each balance sheet date, the Group reviews internal and external sources of information to identify indications that the following classes of asset may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- interests in leasehold land;
- intangible assets;
- interests in associates and joint arrangements;
- goodwill; and
- interests in subsidiaries (at Company level).

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment. An impairment loss is recognized in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The sources utilized to identify indications of impairment are often subjective in nature and the Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at any given balance sheet date. Such information is particularly significant as it relates to the Group's telecommunications services and infrastructure businesses in Hong Kong.

1. BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

ii. Impairment of assets (other than investments in debt and equity securities and other receivables) *(continued)*

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable value, representing the greater of the asset's fair value less cost to sell or its value in use. Depending on the Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Group may perform such assessments utilizing internal resources or the Group may engage external advisors to counsel the Group. Regardless of the resources utilized, the Group is required to make many assumptions to make these assessments, including the utilization of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

iii. Revenue recognition

Telecommunications service revenue based on usage of the Group's network and facilities is recognized when the services are rendered. Telecommunications revenue for services provided for fixed periods is recognized on a straight-line basis over the respective period. In addition, up-front fees received for installation of equipment and activation of customer service are deferred and recognized over the expected customer relationship period. The Group is required to exercise considerable judgement in revenue recognition particularly in the areas of customer discounts and customer disputes. Significant changes in management estimates may result in material revenue adjustments.

The Group offers certain arrangements whereby a customer can purchase telecommunications equipment together with a fixed period of telecommunications service arrangement. When such multiple-element arrangements exist, the amount recognized as revenue upon the sale of the telecommunications equipment is the fair value of the equipment in relation to the fair value of the arrangement taken as a whole. The revenue relating to the service element, which represents the fair value of the servicing arrangement in relation to the fair value of the arrangement taken as a whole, is recognized over the service period. The fair values of each element are determined based on the current market price of each of the elements when sold separately.

Where the Group is unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, the Group determines the fair value of the delivered element by deducting the fair value of the undelivered element from the total contract consideration.

To the extent that there is a discount on the arrangement, such discount is allocated between the elements of the contract in such a manner as to reflect the fair value of the elements.

iv. Amount payable to the Government under the Cyberport Project Agreement

Pursuant to an agreement dated May 17, 2000 entered into with the Government of Hong Kong (the "Government") in respect of the Cyberport project (the "Cyberport Project Agreement"), the Government is entitled to receive approximately 65% of the surplus cash flow earned from the Cyberport project. The amounts paid and payable to the Government are part of the Group's costs of developing the Cyberport project.

1. BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

iv. Amount payable to the Government under the Cyberport Project Agreement *(continued)*

The estimated cost of developing the Cyberport project, including construction costs and the amounts paid and payable to the Government, is allocated to the cost of properties sold on a systematic basis over the life of the project using a relative value approach. This approach considers the value of development costs attributable to phases for which revenue has been recognized to date relative to the total expected value of development costs for the development as a whole. The revision of estimates of these relative values during the year ended December 31, 2013 has resulted in the costs of properties sold recorded in the year being decreased by HK$6 million.

v. Deferred income tax

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In assessing the amount of deferred income tax assets that need to be recognized, the Group considers future taxable income and ongoing prudent and feasible tax planning strategies. In the event that the Group’s estimates of projected future taxable income and benefits from available tax strategies are changed, or changes in current income tax regulations are enacted that would impact the timing or extent of the Group’s ability to utilize the tax benefits of net operating loss carry-forwards in the future, adjustments to the recorded amount of net deferred income tax assets and income tax expense would be made.

vi. Current income tax

The Group makes a provision for current income tax based on estimated taxable income for the year. The estimated income tax liabilities are primarily computed based on the tax computations as prepared by the Group. Nevertheless, from time to time, there are cases of disagreements with the tax authorities of Hong Kong and elsewhere on the tax treatment of items included in the tax computations and certain non-routine transactions. If the Group considers it probable that these disputes or judgements will result in different tax positions, the most likely amounts of the outcome will be estimated and adjustments to the income tax expense and income tax liabilities will be made accordingly.

vii. Recognition of intangible asset – Carrier licences

In order to measure the intangible assets, HKAS 39 (revised) “Financial Instruments: Recognition and Measurement” is applied for recognition of the minimum annual fee and royalty payments as they constitute contractual obligations to deliver cash and, hence, should be considered as financial liabilities. To establish the fair value of the minimum annual fee and royalty payments for the right of use of the carrier licences, the discount rate used is an indicative incremental borrowing rate estimated by the Group. Had a different discount rate been used to determine the fair value, the Group’s results of operations and financial position could be materially different.

1. BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

viii. Estimated valuation of investment properties

The best evidence of fair value is current prices in an active market for similar leases and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair values estimates. In making its estimates, the Group considers both (i) information from the valuations of investment properties performed by external professional valuers on a market value basis and (ii) other principal assumptions, including the current and expected market yield, market price, market rent and the outstanding development costs in view of the current usage and condition of the investment properties to determine the fair value of the investment properties. Had the Group used different market yields, market prices, market rents or other assumptions, the fair value of the investment properties would be different and thus caused impact to the consolidated income statement. As at December 31, 2013, the fair value of the investment properties was HK$8,436 million.

ix. Recognition and fair value of identifiable intangible assets through business combination

The Group applies the acquisition method of accounting to account for acquisitions of businesses. In business combinations of multiple companies or businesses, HKFRS 3 (revised), “Business Combinations”, requires that one of the businesses that existed before the combination shall be identified as the accounting acquirer on the basis of the evidence available. Identification of the accounting acquirer requires significant judgement and it involves the considerations of the relative size of the combining businesses’ revenues and assets and the management structure to determine the appropriate accounting acquirer.

The cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, equity instruments issued, and costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair values as of the acquisition date. The excess of the cost of the acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgement. The most significant variables in these valuations are discount rates, terminal values, the number of years on which the cash flow projections are based, as well as the assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates to be used based on the risk inherent in the related activity’s current business model and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and forecasted cash flows over that period. Although the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

Upon an acquisition of a business it is necessary to attribute fair values to any intangible assets acquired (provided they meet the criteria to be recognized). The fair values of these intangible assets are dependent on estimates of attributable future revenue, margin, cash flow, useful lives and discount rate used.

x. Consolidation of entities in which the Group holds less than 50% equity interest

The Group made significant judgements that the following subsidiaries are controlled by the Group, even though the Group holds less than 50% equity interest of these subsidiaries:

- Unihub China Information Technology Company Limited: the Group owns more than one half of the voting rights in the board of directors of this company.

- All's Well Media Company Limited ("AWL"): the Group has a 35.02% equity interest in AWL. With effect from January 1, 2013, the shareholders' agreement was amended such that the Group has sufficient dominant voting interest and power to direct the key financing and operating decisions of AWL. As a result, AWL has been consolidated into these consolidated financial statements. Previously AWL was classified as an associate of the Group and accounted for using the equity method.

xi. Classification of joint arrangements

The Group has made investments in joint arrangements in respect of which the partners' profit-sharing ratios during the joint venture period and share of net assets upon the expiration of the joint venture period may not be in proportion to their equity ratios, but are as defined in the respective joint venture contracts. Therefore these joint arrangements are classified as joint ventures of the Group.

The Group classified joint arrangements as joint operations whereby the Group has rights to assets and obligations for the liabilities of the arrangement.

xii. Purchase consideration for a plot of land in Indonesia

On May 23, 2013, Pacific Century Premium Developments Limited ("PCPD") and its subsidiaries (collectively the "PCPD Group") entered into the Land Sale and Purchase Agreement (the "Land SPA") for the acquisition of a plot of land for the development of a Grade A office building in Jakarta, Indonesia. The total consideration under the Land SPA is US$184 million (equivalent to approximately HK$1,428 million), which is subject to various downward adjustments in certain circumstances.

Management expected that the seller of the land will be able to fulfill the conditions as set out in the Land SPA and the deductions from the outstanding consideration is unlikely, as such the total consideration of US$184 million is recorded as the cost of the land and the outstanding consideration to be paid is recorded as payables as at December 31, 2013.

In case there is any downward adjustment from the consideration to be paid for the land acquisition, it would affect the payable to the seller recorded in the balance sheet as at December 31, 2013.

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 and the segment information is reported below in accordance with this internal reporting.

The CODM considers the business from both product and geographic 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.

- PCPD covers the Group's property portfolio in Hong Kong, mainland China 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"). 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, interests in leasehold land and intangible assets, 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 joint ventures, and the Group's share of results of associates and joint ventures.

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 year ended December 31, 2012
(In HK$ million)

	HKT	Media Business	Solutions Business	Other Businesses *(Restated)*	PCPD	Eliminations	Consolidated *(Restated)*
REVENUE							
Total Revenue	21,081	2,808	2,477	71	1,184	(2,303)	25,318
RESULTS							
EBITDA	7,669	491	435	(585)	107	(331)	7,786

For the year ended December 31, 2013
(In HK$ million)

	HKT	**Media Business**	**Solutions Business**	**Other Businesses**	**PCPD**	**Eliminations**	**Consolidated**
REVENUE							
Total Revenue	**22,832**	**3,020**	**2,961**	**58**	**674**	**(2,228)**	**27,317**
RESULTS							
EBITDA	**7,901**	**508**	**520**	**(554)**	**(96)**	**(246)**	**8,033**

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

In HK$ million	2012 *(Restated)*	**2013**
Total segment EBITDA	7,786	**8,033**
(Loss)/Gain on disposal of property, plant and equipment and intangible assets, net	(13)	**9**
Depreciation and amortization	(4,421)	**(4,571)**
Other gains, net	371	**685**
Interest income	62	**80**
Finance costs	(966)	**(1,111)**
Share of results of associates and joint ventures	(22)	**140**
Profit before income tax	2,797	**3,265**

2. SEGMENT INFORMATION (CONTINUED)

The following table sets out information about the geographical location of the Group's revenue from external customers. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

In HK$ million	2012	**2013**
Hong Kong (place of domicile)	20,198	**20,304**
Mainland China (excluding Hong Kong) and Taiwan	2,117	**2,116**
Others	3,003	**4,897**
	25,318	**27,317**

3. OTHER GAINS, NET

In HK$ million	2012	**2013**
Fair value gains on investment properties	349	**631**
Net gains on cash flow hedging instruments transferred from equity	13	**9**
Net gains on fair value hedging instruments	–	**42**
Net gains from return of investment in available-for-sale financial assets	–	**64**
Recovery of impairment loss on an interest in a joint venture	–	**22**
Provision for impairment of available-for-sale financial assets	–	**(78)**
Others	9	**(5)**
	371	**685**

4. PROFIT BEFORE INCOME TAX

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

In HK$ million	2012 *(Restated)*	**2013**
Crediting:		
Revenue from properties sold	791	**283**
Gain on disposal of property, plant and equipment, net	–	**9**
Charging:		
Cost of inventories sold	2,029	**1,939**
Cost of properties sold	547	**223**
Cost of sales, excluding inventories and properties sold	9,240	**10,949**
Depreciation of property, plant and equipment	2,482	**2,347**
Amortization of intangible assets	1,917	**2,200**
Amortization of land lease premium	22	**24**
Loss on disposal of property, plant and equipment and intangible assets, net	13	**–**
Interest on borrowings	886	**1,018**
Staff costs	2,424	**2,735**

5. INCOME TAX

In HK$ million	2012	**2013**
Hong Kong profits tax	628	**242**
Overseas tax	68	**50**
Movement of deferred income tax	(464)	**(82)**
	232	**210**

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year. Overseas tax has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the respective jurisdictions.

6. DIVIDENDS

In HK$ million	2012	**2013**
Interim dividend declared and paid in respect of current year of 6.35 HK cents (2012: 5.51 HK cents) per ordinary share	401	**462**
Less: dividend for shares held by share award schemes	–	**(2)**
	401	**460**
Final dividend declared in respect of previous financial year, approved and paid during the year of 13.55 HK cents (2012: 10.60 HK cents) per ordinary share	771	**985**
Less: dividend for shares held by share award schemes	–	**(4)**
	771	**981**
	1,172	**1,441**
Final dividend proposed after the balance sheet date of 13.85 HK cents (2012: 13.55 HK cents) per ordinary share	985	**1,007**

The final dividend proposed after the balance sheet date has not been recognized as a liability as at the balance sheet date.

7. EARNINGS PER SHARE

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

	2012 *(Restated)*	**2013**
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per share	1,661	**1,885**
Number of shares		
Weighted average number of ordinary shares	7,272,294,654	**7,272,294,654**
Effect of shares purchased from the market under the Company's share award schemes	(9,092,300)	**(18,985,730)**
Effect of shares vested under the Company's share award schemes	–	**2,226,513**
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,263,202,354	**7,255,535,437**
Effect of shares awarded under the Company's share award schemes	–	**9,811,488**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,263,202,354	**7,265,346,925**

8. PROPERTIES HELD FOR/UNDER DEVELOPMENT/FOR SALE

In HK$ million	2012	**2013**
Properties under development	468	**379**
Properties held for development *(note a)*	678	**645**
	1,146	**1,024**
Less: Properties held for/under development classified as non-current assets	(1,146)	**(1,024)**
Properties held for/under development classified as current assets	–	**–**
Properties for sale classified as current assets *(note b)*	214	**–**
	214	**–**

a. Properties held for development represents freehold land in Thailand, which the Group intends for future development projects.

b. Properties held for sale in 2012 represents the residential portion of the Cyberport project which have all been sold during the year (see note 13).

9. SALES PROCEEDS HELD IN STAKEHOLDERS’ ACCOUNTS

The balance represents proceeds from the sales of the residential portion of the Cyberport project retained in bank accounts opened and maintained by stakeholders. These amounts will be transferred to specific bank accounts, which are restricted in use, pursuant to certain conditions and procedures as stated in the Cyberport Project Agreement.

10. RESTRICTED CASH

The balance of the Group included a restricted cash balance of approximately HK$1,022 million as at December 31, 2013 (2012: HK$1,319 million) held in specific bank accounts. The uses of the funds are specified in the Cyberport Project Agreement.

The remaining balance of HK$10 million (2012: Nil) as at December 31, 2013 represents cash balances held in specific interest reserve accounts for bank borrowing purposes.

11. TRADE RECEIVABLES, NET

The aging of trade receivables is set out below:

In HK$ million	2012	**2013**
0 – 30 days	2,028	**1,784**
31 – 60 days	600	**555**
61 – 90 days	332	**270**
91 – 120 days	162	**129**
Over 120 days	1,160	**987**
	4,282	**3,725**
Less: Impairment loss for doubtful debts	(241)	**(224)**
	4,041	**3,501**

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.

12. TRADE PAYABLES

The aging of trade payables is set out below:

In HK$ million	2012	**2013**
0 – 30 days	837	**1,033**
31 – 60 days	311	**172**
61 – 90 days	85	**99**
91 – 120 days	137	**25**
Over 120 days	1,010	**789**
	2,380	**2,118**

13. AMOUNT PAYABLE TO THE GOVERNMENT UNDER THE CYBERPORT PROJECT AGREEMENT

In HK$ million	**2013**		
	Government share under the Cyberport Project Agreement	**Others**	**Total**
Beginning of year	**954**	**5**	**959**
Addition to amount payable	**8**	**–**	**8**
Settlement during the year	**(446)**	**–**	**(446)**
End of year, classified as current liabilities	**516**	**5**	**521**

Pursuant to the Cyberport Project Agreement, the Group was granted an exclusive right and obligation to design, develop, construct and market the Cyberport project at Telegraph Bay on the Hong Kong Island. The Cyberport project consists of commercial and residential portions. The completed commercial portion was transferred to the Government at no consideration. The associated costs incurred have formed part of the development costs of the residential portion. The construction of the residential portion of the Cyberport project was completed in November 2008.

Pursuant to the Cyberport Project Agreement, the Government shall be entitled to receive payments of approximately 65% from the surplus cash flow arising from the sales of the residential portion of the Cyberport project, net of certain allowable costs incurred on the project, as stipulated under certain terms and conditions of the Cyberport Project Agreement. The amount payable to the Government is considered as a part of the development costs for the Cyberport project. The amount payable to the Government is based on sales proceeds of the residential portion of the Cyberport project and the estimated development costs of the Cyberport project.

As at the date of this announcement, the directors of the Company are as follows:

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;
Bryce Wayne Lee; Lars Eric Nils Rodert and David Christopher Chance

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.