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, 2008

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, 2008.

- Core revenue increased by 7% to HK$22,008 million; consolidated revenue including PCPD increased by 35% to HK$31,951 million, reflecting higher property development revenue recognized
- Core EBITDA increased by 3% to HK$6,714 million; consolidated EBITDA including PCPD increased by 9% to HK$7,982 million. Core segment results and consolidated segment results decreased by 14% and 12% to HK$2,837 million and HK$3,529 million respectively
- Profit attributable to equity holders of the Company decreased by 15% to HK$1,272 million, mainly due to higher customer acquisition costs, a deficit on revaluation of investment properties and impairment provisions of investments
- Basic earnings per share of 18.78 HK cents

Note:

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

MANAGEMENT REVIEW

Year 2008 was a challenging year for PCCW. The Group's core businesses performed satisfactorily in the first three quarters, but were adversely affected in the fourth quarter by the deteriorating global economic conditions.

Core revenue for the year ended December 31, 2008 was up 7% to HK$22,008 million due to higher revenue contributions from TV & Content and Mobile businesses and steady revenue growth in Telecommunications Services ("TSS") and PCCW Solutions businesses. Consolidated revenue including PCPD was HK$31,951 million, compared with HK$23,715 million a year ago, reflecting higher property development revenue recognized from the Bel-Air project during 2008.

Core EBITDA for the year ended December 31, 2008 increased by 3% to HK$6,714 million, while consolidated EBITDA increased by 9% to HK$7,982 million.

Profit attributable to equity holders of the Company for the year ended December 31, 2008 was HK$1,272 million, down 15% from a year earlier. The decline was mainly due to higher customer acquisition costs, a deficit on revaluation of the Group's investment properties of HK$396 million and impairment provisions of investments of HK$161 million. Basic earnings per share was 18.78 HK cents. Due to the current court proceedings, the board of Directors (the "Board") has decided to defer its consideration of a final dividend.

OUTLOOK

Benefiting from a buoyant economy, PCCW began 2008 from a position of strength and growth. However, the operating environment turned more challenging during the last quarter of 2008 as the global financial crisis reversed economic trends and slowed down market activities.

PCCW will continue to manage its costs prudently and responsibly. This will be done without compromising the service standards and quality that we offer our customers. The Group's reorganization that took place during the second half of 2008 will increase operational efficiencies and provide a new platform to further develop our Telecommunications, Media and Technology ("TMT") businesses.

We remain committed to maintaining our long-held position as Hong Kong's premier telecommunications service provider, offering our customers innovative, premium quality products and excellent customer service.

FINANCIAL REVIEW BY SEGMENTS

For the year ended December 31, HK$ million	2008 H1	2008 H2	2008 Full Year	2007 H1	2007 H2	2007 Full Year	Better/ (Worse) y-o-y
Revenue							
TSS	8,551	8,914	**17,465**	7,706	8,930	**16,636**	5%
TV & Content	1,039	1,200	**2,239**	715	988	**1,703**	31%
Mobile	857	887	**1,744**	668	800	**1,468**	19%
PCCW Solutions	900	966	**1,866**	826	969	**1,795**	4%
Other Businesses	43	43	**86**	165	84	**249**	(65)%
Eliminations	(636)	(756)	**(1,392)**	(573)	(697)	**(1,270)**	(10)%
Total Revenue (excluding PCPD)	10,754	11,254	**22,008**	9,507	11,074	**20,581**	7%
PCPD	618	9,325	**9,943**	2,100	1,034	**3,134**	217%
Consolidated Revenue	11,372	20,579	**31,951**	11,607	12,108	**23,715**	35%
Cost of sales	(4,942)	(12,908)	**(17,850)**	(5,199)	(5,339)	**(10,538)**	(69)%
Operating costs before depreciation, amortization and restructuring costs	(2,994)	(3,125)	**(6,119)**	(2,799)	(3,082)	**(5,881)**	(4)%
EBITDA[1]							
TSS	3,549	3,907	**7,456**	3,431	4,004	**7,435**	0%
TV & Content	(40)	(43)	**(83)**	(74)	(83)	**(157)**	47%
Mobile	108	134	**242**	(56)	56	**–**	N/A
PCCW Solutions	82	113	**195**	102	48	**150**	30%
Other Businesses	(335)	(761)	**(1,096)**	(335)	(587)	**(922)**	(19)%
Total EBITDA (excluding PCPD)	3,364	3,350	**6,714**	3,068	3,438	**6,506**	3%
PCPD	72	1,196	**1,268**	541	249	**790**	61%
Consolidated EBITDA[1]	3,436	4,546	**7,982**	3,609	3,687	**7,296**	9%
Consolidated EBITDA Margin[1,3]	*30%*	*22%*	***25%***	*31%*	*30%*	***31%***	*(6)%*
Depreciation and amortization	(1,750)	(1,946)	**(3,696)**	(1,610)	(1,660)	**(3,270)**	(13)%
(Loss)/Gain on disposal of property, plant and equipment	–	(19)	**(19)**	11	(4)	**7**	N/A
Restructuring costs	(2)	(169)	**(171)**	–	–	–	N/A
Other (losses)/gains, net	18	(482)	**(464)**	55	(58)	**(3)**	>(500)%
Losses on property, plant and equipment	–	(103)	**(103)**	(2)	(5)	**(7)**	>(500)%
Segment results[2]							
TSS	2,465	2,653	**5,118**	2,392	2,930	**5,322**	(4)%
TV & Content	(169)	(190)	**(359)**	(150)	(247)	**(397)**	10%
Mobile	(252)	(284)	**(536)**	(361)	(257)	**(618)**	13%
PCCW Solutions	55	82	**137**	73	23	**96**	43%
Other Businesses	(462)	(1,061)	**(1,523)**	(422)	(673)	**(1,095)**	(39)%
Total segment results (excluding PCPD)	1,637	1,200	**2,837**	1,532	1,776	**3,308**	(14)%
PCPD	65	627	**692**	531	184	**715**	(3)%
Consolidated segment results[2]	1,702	1,827	**3,529**	2,063	1,960	**4,023**	(12)%

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 interests in jointly controlled companies and associates and the Group's share of results of jointly controlled companies and associates. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*

Note 2 *Segment results represent earnings before interest income, finance costs, income tax, impairment losses on interests in jointly controlled companies and associates and the Group's share of results of jointly controlled companies and associates.*

Note 3 *Year-on-year percentage change was based on absolute percentage change.*

Note 4 *Figures are stated as at the period end, except for International Direct Dial ("IDD") minutes which is the total for the period.*

Note 5 *Gross debt refers to the principal amount of short-term borrowings and long-term liabilities. Net debt refers to the principal amount of short-term borrowings and long-term liabilities minus cash and cash equivalents and certain restricted cash.*

Note 6 *Group capital expenditure includes additions to property, plant and equipment, investment properties and interests in leasehold land.*

OPERATING DRIVERS[4]	2008		2007		Better/ (Worse)
	H1	H2	H1	H2	y-o-y
Exchange lines in service ('000)	2,593	2,603	2,590	2,590	1%
Business lines ('000)	1,185	1,195	1,183	1,183	1%
Residential lines ('000)	1,408	1,408	1,407	1,407	0%
Total broadband access lines ('000) (Consumer, business and wholesale customers)	1,275	1,302	1,176	1,237	5%
Retail consumer broadband subscribers ('000)	1,099	1,126	1,005	1,060	6%
Retail business broadband subscribers ('000)	110	113	104	107	6%
Consumer narrowband subscribers ('000)	108	62	117	111	(44)%
Traditional data (Exit Gbps)	842	927	614	723	28%
Retail IDD minutes ('M mins)	907	878	944	947	(6)%
International Private Leased Circuit ("IPLC") bandwidth (Exit Mbps)	61,617	78,202	47,098	44,144	77%
now TV					
Installed base ('000)	927	953	818	882	8%
Paying base ('000)	668	686	560	628	9%
Mobile subscribers ('000)	1,176	1,313	957	1,071	23%
3G post-paid ('000)	288	414	119	206	101%
2G post-paid ('000)	459	440	462	460	(4)%
2G prepaid ('000)	429	459	376	405	13%

TSS

The table below sets out the financial performance of TSS for the year ended December 31, 2008 and December 31, 2007:

For the year ended December 31, HK$ million	2008 H1	2008 H2	2008 Full Year	2007 H1	2007 H2	2007 Full Year	Better/ (Worse) y-o-y
Local Telephony Services	2,284	2,280	**4,564**	2,343	2,391	**4,734**	(4)%
Local Data Services	2,415	2,480	**4,895**	2,214	2,443	**4,657**	5%
International Telecommunications Services	1,911	1,906	**3,817**	1,591	1,748	**3,339**	14%
Other Services	1,941	2,248	**4,189**	1,558	2,348	**3,906**	7%
TSS Revenue	8,551	8,914	**17,465**	7,706	8,930	**16,636**	5%
Cost of sales	(2,922)	(3,229)	**(6,151)**	(2,466)	(3,034)	**(5,500)**	(12)%
Operating costs before depreciation and amortization	(2,080)	(1,778)	**(3,858)**	(1,809)	(1,892)	**(3,701)**	(4)%
TSS EBITDA[1]	3,549	3,907	**7,456**	3,431	4,004	**7,435**	0%
TSS EBITDA Margin[1,3]	42%	44%	**43%**	45%	45%	**45%**	(2)%

TSS revenue reported an increase of 5% to HK$17,465 million for the year ended December 31, 2008. EBITDA remained fairly stable at HK$7,456 million while segment results decreased by 4% to HK$5,118 million.

Local Telephony Services. Local telephony services revenue for the year ended December 31, 2008 decreased by 4% to HK$4,564 million. Total fixed lines in service at the end of December 2008 increased by about 1% to approximately 2,603,000 with a marginal decline in average revenue per user (“ARPU”).

Local Data Services. Local data services revenue increased by 5% to HK$4,895 million for the year ended December 31, 2008. The growth in broadband network revenue was mainly driven by the increase in consumer and business broadband revenues. Total broadband access lines in service reached 1,302,000 at the end of December 2008, up by 5% from a year ago. Commercial demand for high bandwidth connectivity services increased as more high bandwidth applications were deployed, which resulted in a 28% increase in bandwidth sold from a year ago. However, the effect of higher bandwidth consumption was partially evened out by price compression during the year.

International Telecommunications Services. International telecommunications services revenue for the year ended December 31, 2008 increased by 14% to HK$3,817 million, mainly driven by the growth in wholesale traditional and IP-based international connectivity and voice services. Average retail IDD rates were higher during the year, which offset the impact from a 6% decrease in retail IDD minutes.

Other Services. Other services revenue for the year ended December 31, 2008 increased by 7% to HK$4,189 million, primarily driven by a higher revenue from sales of computer and customer premises equipment.

TV & Content

For the year ended December 31, HK$ million	2008			2007			Better/ (Worse)
	H1	H2	Full Year	H1	H2	Full Year	y-o-y
TV & Content Revenue	1,039	1,200	**2,239**	715	988	**1,703**	31%
TV & Content EBITDA[1]	(40)	(43)	**(83)**	(74)	(83)	**(157)**	47%

TV & Content revenue increased by 31% to HK$2,239 million in 2008, primarily driven by a larger paying subscriber base and higher ARPU, as well as higher TV advertising revenues. EBITDA loss narrowed by 47% to HK$83 million.

now TV extended its leadership in the Hong Kong pay TV market with more than 170 channels of local, Asian and international programming at the end of December 2008. The installed subscriber base has enlarged by 8% to 953,000 at the end of December 2008 while the paying base grew 9% to 686,000. ARPU in December 2008 was HK$216, 9% higher than a year ago, due to the growing demand for higher value plans and a higher take-up of premium services and channels during the year.

Our digital music library, MOOV, previously exclusive to PCCW customers, was made available to all Internet users during the year, which also helped enhance the subscribers and ARPU growth of our popular broadband portal now.com.hk.

Mobile

For the year ended December 31, HK$ million	2008			2007			Better/ (Worse)
	H1	H2	Full Year	H1	H2	Full Year	y-o-y
Mobile Revenue	857	887	**1,744**	668	800	**1,468**	19%
Mobile EBITDA[1]	108	134	**242**	(56)	56	**–**	N/A

Mobile business saw a revenue growth of 19% to HK$1,744 million for 2008 due to an increased subscriber base, and generated a positive EBITDA of HK$242 million.

PCCW mobile's total subscribers expanded to 1,313,000 as at December 31, 2008, 23% higher than a year ago. The 3G subscriber base more than doubled to 414,000, while the total 2G subscriber base increased by 4% to 899,000 over the year.

Our 3G ARPU in December 2008 was stable compared to a year ago at HK$216. Our blended 2G and 3G post-paid ARPU also remained stable year-on-year at HK$153. While 2G service faced a higher pricing pressure from fierce competition, its revenue decline was more than compensated by the revenue growth of our 3G service.

PCCW Solutions

For the year ended December 31, HK$ million	2008 H1	2008 H2	2008 Full Year	2007 H1	2007 H2	2007 Full Year	Better/ (Worse) y-o-y
PCCW Solutions Revenue	900	966	**1,866**	826	969	**1,795**	4%
PCCW Solutions EBITDA[1]	82	113	**195**	102	48	**150**	30%

PCCW Solutions reported a 4% increase in revenue to HK$1,866 million for the year ended December 31, 2008. EBITDA increased by 30% to HK$195 million due to the completion of projects with higher margin during the year.

The data center hosting, application outsourcing services and business process outsourcing businesses provided by PCCW Solutions continued their stable growth during the year. Meanwhile, PCCW Solutions continued to secure projects with mainland Chinese telecommunications companies, and had expanded services into newer vertical industries including insurance and consumer retail in mainland China.

PCPD

PCPD revenue for the year ended December 31, 2008 increased by 217% to HK$9,943 million, mainly due to higher revenue recognized from the Bel-Air property development project.

PCPD began handing over to purchasers the completed luxury residential units at Bel-Air No.8 during mid-November 2008. The houses at Villa Bel-Air are expected to be released to the market gradually over the next two years. ONE Pacific Heights, which is located west of Central with 155 luxury boutique apartments, started pre-sales in June 2008 and is scheduled for completion around mid-2009.

In mainland China, PCPD's residential development in Beijing's Chaoyang district, which is located next to Pacific Century Place and with approximately 210 upmarket units, is scheduled for completion in 2010. Steady progress has been made on the overseas projects including the development of a world-class all-season luxury resort at Hanazono, Hokkaido in Japan and the development plans for luxury resort complexes at Thai Muang Beach, Phang-nga in southern Thailand.

For more information about the performance of PCPD, please refer to its 2008 annual results released on April 21, 2009.

Other Businesses

Other Businesses primarily includes the Group's wireless broadband business in the United Kingdom and all corporate support functions. Revenue from Other Businesses in 2008 decreased by 65% to HK$86 million largely due to the Group's disposal of its entire interest in a telecommunications business in Taiwan in 2007.

Eliminations

Eliminations was HK$1,392 million for the year ended December 31, 2008. Eliminations is related to internal charges for telecommunications services consumed, IT support and computer system network charges, customer support services and rental among the Group's business units.

Costs

Cost of Sales

For the year ended December 31, HK$ million	2008 H1	2008 H2	2008 Full Year	2007 H1	2007 H2	2007 Full Year	Better/(Worse) y-o-y
The Group (excluding PCPD)	4,584	5,084	**9,668**	3,787	4,720	**8,507**	(14)%
PCPD	358	7,824	**8,182**	1,412	619	**2,031**	(303)%
Group Total	4,942	12,908	**17,850**	5,199	5,339	**10,538**	(69)%

The Group's consolidated total cost of sales for the year ended December 31, 2008 increased by 69% to HK$17,850 million, due to a 303% increase in PCPD's cost of sales to HK$8,182 million on higher property development cost recognized for the Bel-Air residential project.

The Group's cost of sales excluding PCPD increased by 14% to HK$9,668 million. The increase was in line with core business revenue growth, and higher content costs of the TV & Content business and the start-up cost of the new self-produced now Hong Kong Channel during the year.

General and Administrative Expenses

For the year ended December 31, HK$ million	2008	2007	Better/(Worse) y-o-y
Staff costs	**2,687**	2,785	4%
Rent, rates and utilities	**841**	934	10%
Other operating costs	**2,591**	2,162	(20)%
Total operating costs before depreciation, amortization and restructuring costs	**6,119**	5,881	(4)%
Depreciation and amortization	**3,696**	3,270	(13)%
Loss/(Gain) on disposal of property, plant and equipment	**19**	(7)	N/A
Restructuring costs	**171**	–	N/A
General and administrative expenses	**10,005**	9,144	(9)%

Total operating costs before depreciation, amortization and restructuring costs for 2008 increased by 4% to HK$6,119 million as a result of increased business activities. Depreciation and amortization increased by 13% to HK$3,696 million, predominantly due to higher customer acquisition costs. With higher total operating costs, higher depreciation and amortization expenses and the inclusion of restructuring costs of HK$171 million, general and administrative expenses increased by 9% to HK$10,005 million in 2008.

EBITDA[1]

Core EBITDA for the year ended December 31, 2008 increased by 3% to HK$6,714 million. Consolidated EBITDA including PCPD for 2008 increased by 9% to HK$7,982 million, primarily driven by the 61% increase in PCPD EBITDA to HK$1,268 million on higher property development profit recognized from the Bel-Air project.

Core EBITDA margin decreased by 1 percentage point to 31% in 2008. Consolidated EBITDA margin contracted to 25% in 2008 due to a greater EBITDA contribution from PCPD, which EBITDA margin also contracted from a year ago.

Other Losses, Net

Net other losses was HK$464 million for the year ended December 31, 2008 (2007: HK$3 million). Net other losses in 2008 primarily comprised a deficit on revaluation of investment properties and impairment provisions of investments, partially offset by gains on disposals of financial assets and on derivative financial instruments.

Segment Results[2]

Core segment results was 14% lower than a year ago at HK$2,837 million for the year ended December 31, 2008. Consolidated segment results including PCPD decreased by 12% to HK$3,529 million.

Interest Income and Finance Costs

Finance costs decreased by 11% to HK$1,473 million for the year ended December 31, 2008 due to the lower average HIBOR rates in 2008. On the other hand, interest income decreased by 54% to HK$197 million due to a lower average cash balance and lower average interest income rates in 2008. Net finance cost, therefore, increased by 4% to HK$1,276 million. The average cost of debt for the year ended December 31, 2008 improved to approximately 5% and the average remaining term of debt was approximately 3.6 years.

Share of Results of Associates and Jointly Controlled Companies

Share of results of associates and jointly controlled companies decreased to HK$11 million for the year ended December 31, 2008 (2007: HK$13 million).

Income Tax

Income tax expenses for the year ended December 31, 2008 decreased by 27% to HK$711 million and the Group’s effective tax rate for the year ended December 31, 2008 was 32% (2007: 35%). The decrease of tax expenses and effective tax rate was mainly due to a net movement of deferred income tax and an increase in other tax provision. This rate is higher than the statutory tax rate of 16.5%, mainly due to the fact that losses of some companies cannot be offset against profits of other companies for Hong Kong tax purposes and the disallowance of certain financing costs relating to the financing of non-income-producing assets. Excluding these factors, the Group would have an effective tax rate around the statutory tax rate of 16.5%.

Minority Interests

Minority interests of HK$250 million primarily represented the net profit attributable to the minority shareholders of PCPD.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company for the year ended December 31, 2008 amounted to HK$1,272 million (2007: HK$1,503 million).

LIQUIDITY AND CAPITAL RESOURCES

The Group's gross debt[5] totaled HK$32,200 million as at December 31, 2008 (2007: HK$25,774 million). Cash and cash equivalents increased to HK$9,284 million (2007: HK$3,678 million). The Group's net debt[5] was HK$22,813 million as at December 31, 2008 compared to HK$21,990 million as at December 31, 2007. The increase in net debt was mainly due to cash invested in property development projects and the payment of dividends during the year.

On January 2, 2009, the Group drew down the remaining amount of HK$7,200 million available for drawdown under the HK$23,800 million Hong Kong Telecommunications (HKT) Limited loan facilities.

The Group's gross debt[5] to total assets was 57% as at December 31, 2008 (2007: 50%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services ("Standard & Poor's") had withdrawn the ratings on PCCW-HKT Telephone Limited upon the completion of the Group's corporate reorganization in November 2008. New ratings were assigned to Hong Kong Telecommunications (HKT) Limited by Moody's (Baa2/Negative) and Standard & Poor's (BBB/Stable).

CAPITAL EXPENDITURE[6]

Group capital expenditure for the year ended December 31, 2008 increased to HK$3,342 million (2007: HK$3,238 million). The increase was mainly due to expanded investments and enhancement in meeting service demands on commercial data, high-speed broadband, mobile and international networks. PCCW will continue to invest prudently, using assessment criteria including internal rate of return, net present value and payback period.

HEDGING

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

In the normal course of business, the Group enters into forward contracts and other derivative contracts in order to limit its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions, and all contracts are denominated in currencies of major industrial countries. As at December 31, 2008, all cross currency swap contracts were designated as cash flow hedges for the Group's foreign currency denominated long-term liabilities.

CHARGE ON ASSETS

As at December 31, 2008, certain assets of the Group with an aggregate carrying value of HK$1 million (2007: HK$25 million) were pledged to secure loans and banking facilities of the Group.

CONTINGENT LIABILITIES

As at December 31, HK$ million	**2008**	2007
Performance guarantee	**923**	841
Others	**27**	80
	950	921

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

HUMAN RESOURCES

As at December 31, 2008, the Group had approximately 17,000 employees (2007: 15,800). About three quarters of these employees work in Hong Kong and the others are based outside Hong Kong, primarily in mainland China. The Company has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve the Company's business performance targets. Payment of bonuses is generally based on achievement of EBITDA[1] and net profit after tax targets for the Group as a whole, and revenue and EBITDA[1] targets for the Company's individual businesses. The Company also operates a discretionary employee share option scheme and two share award schemes to motivate employee performance to enhance shareholders' value.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On June 6, 2008, the Company repurchased a total of 10,000,000 ordinary shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at a purchase price of HK$4.84 per share at an aggregate consideration of HK$48,400,000 (before transaction costs). The repurchased shares were cancelled prior to June 30, 2008 and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The repurchase was effected with a view to benefit shareholders as a whole in enhancing the shareholders' value and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the year ended December 31, 2008.

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, 2008.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended December 31, 2008, except that the Chairman of the independent board committee was unable to attend the Company's court meeting held on December 30, 2008 (which was required under the Code provision E.1.2) as he had another engagement overseas. However, this meeting was adjourned without any substantive discussion on the proposed resolution.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.pccw.com) and Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). The 2008 annual 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
Philana WY Poon
Group General Counsel and Company Secretary

Hong Kong, April 21, 2009

AUDITED CONSOLIDATED RESULTS
For the year ended December 31, 2008
(In HK$ million except for earnings per share and dividends per share)

	Note	**2008**	2007
Turnover	2	**31,951**	23,715
Cost of sales		**(17,850)**	(10,538)
General and administrative expenses		**(10,005)**	(9,144)
Other losses, net	3	**(464)**	(3)
Losses on property, plant and equipment		**(103)**	(7)
Interest income		**197**	429
Finance costs		**(1,473)**	(1,658)
Share of results of associates		**27**	25
Share of results of jointly controlled companies		**(16)**	(12)
Impairment losses on interests in jointly controlled companies		**(31)**	–
Profit before income tax	4	**2,233**	2,807
Income tax	5	**(711)**	(970)
Profit for the year	2	**1,522**	1,837
Attributable to:			
Equity holders of the Company		**1,272**	1,503
Minority interests		**250**	334
Profit for the year		**1,522**	1,837
Dividends payable to equity holders of the Company attributable to the year:	6		
Interim dividend declared and paid during the year		**474**	440
Final dividend proposed after the balance sheet date		**Note 6(a)**	915
		474	1,355
Earnings per share	7		
Basic		**18.78 cents**	22.21 cents
Diluted		**18.77 cents**	22.18 cents
Dividends per share	6		
Interim		**7.00 cents**	6.50 cents
Final		**Note 6(a)**	13.50 cents

AUDITED CONSOLIDATED BALANCE SHEET
As at December 31, 2008
(In HK$ million)

	Note	**2008**	2007
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**17,092**	16,852
Investment properties		**3,785**	3,920
Interests in leasehold land		**593**	615
Properties held for/under development	8	**1,546**	1,671
Goodwill		**3,000**	3,016
Intangible assets		**1,885**	1,638
Interest in associates		**674**	655
Interest in jointly controlled companies		**268**	316
Held-to-maturity investments		**5**	6
Available-for-sale financial assets		**244**	321
Amounts due from related companies		**3**	9
Lease payments receivable		**–**	91
Deferred income tax assets		**48**	216
Other non-current assets		**392**	471
		29,535	29,797
Current assets			
Properties under development	8	**331**	8,436
Properties for sale	8	**2,071**	697
Sales proceeds held in stakeholders' accounts	9	**6,994**	2,425
Restricted cash	10	**823**	682
Prepayments, deposits and other current assets		**1,961**	2,007
Inventories		**1,016**	854
Amounts due from related companies		**35**	16
Derivative financial instruments		**230**	43
Financial assets at fair value through profit or loss		**–**	12
Trade receivables, net	11	**4,317**	2,709
Tax recoverable		**8**	1
Cash and cash equivalents		**9,284**	3,678
		27,070	21,560

AUDITED CONSOLIDATED BALANCE SHEET (CONTINUED)
As at December 31, 2008
(In HK$ million)

	Note	**2008**	2007
Current liabilities			
Short-term borrowings		**–**	(10,174)
Derivative financial instruments		**–**	(13)
Trade payables	12	**(1,700)**	(1,264)
Accruals and other payables		**(5,241)**	(4,785)
Amount payable to the Government under the Cyberport Project Agreement	13	**(4,981)**	(5,178)
Mobile carrier licence fee liabilities		**(76)**	(67)
Amounts due to related companies		**(585)**	(539)
Gross amounts due to customers for contract work		**(5)**	(7)
Advances from customers		**(2,224)**	(3,434)
Current income tax liabilities		**(1,911)**	(684)
		(16,723)	(26,145)
Net current assets/(liabilities)		**10,347**	(4,585)
Total assets less current liabilities		**39,882**	25,212
Non-current liabilities			
Long-term borrowings		**(31,745)**	(15,505)
Deferred income tax liabilities		**(714)**	(2,150)
Deferred income		**(670)**	(719)
Defined benefit liability		**(7)**	(9)
Amount payable to the Government under the Cyberport Project Agreement	13	**(1,195)**	(1,741)
Mobile carrier licence fee liabilities		**(512)**	(532)
Other long-term liabilities		**(139)**	(205)
		(34,982)	(20,861)
Net assets		**4,900**	4,351
CAPITAL AND RESERVES			
Share capital		**1,693**	1,695
Reserves/(Deficit)		**42**	(143)
Equity attributable to equity holders of the Company		**1,735**	1,552
Minority interests		**3,165**	2,799
Total equity		**4,900**	4,351

NOTES

1. BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES

The accounting policies and methods of computation used in preparing these 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, 2007, 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, 2008. 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. The adoption of these new and revised HKFRSs has not led to any significant changes in the accounting policies applied in these financial statements, and has no material effect on the Group's results and financial position for the current or prior accounting periods reflected in these financial statements. They did however give rise to additional disclosures as stated below:

- The HKAS 39, "Financial instruments: Recognition and measurement", amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, "Financial instruments: Disclosures", introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from July 1, 2008. This amendment does not have any impact on the Group's financial statements, as the Group has not reclassified any financial assets.

- HK(IFRIC)-Int 11, "HKFRS 2 – Group and treasury share transactions", provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have any impact on the Group's financial statements, as this interpretation is consistent with the accounting policies already adopted by the Group.

- HK(IFRIC)-Int 14, "HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction", provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Group's financial statements, as the Group has a pension deficit and is not subject to any minimum funding requirements.

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

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 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.

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, rapid advancement in technology and significant downturns in the Company's stock price. 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, 2007, the Group performed an annual review to reassess the useful lives of certain exchange equipment, transmission plant and other plant and equipment 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 July 1, 2007. As a result of this change in accounting estimate, the Group's profit for the year ended December 31, 2007 and the net assets as at December 31, 2007 have both been increased by HK$66 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 assets 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;
- investments in subsidiaries, associates and jointly controlled companies; and
- goodwill.

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 amounts.

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)*

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.

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 assessment utilizing internal resources or the Group may engage external advisors to counsel the Group in making this assessment. Regardless of the resources utilized, the Group is required to make many assumptions to make this assessment, 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.

During the year ended December 31, 2007, the Group re-assessed the expected customer relationship period. As a result of this re-assessment, the expected customer relationship period has been shortened. This change in accounting estimate has been accounted for prospectively from July 1, 2007. Accordingly, the Group's profit for the year ended December 31, 2007 and the net assets as at December 31, 2007 have both been increased by HK$255 million.

The Group offers certain arrangements whereby a customer can purchase mobile handset together with a fixed period mobile service arrangement. When such multiple element arrangement exists, the amount of revenue recognized upon the sale of mobile handset is determined using the residual value method. Under such method, the Group determines the revenue from the sale of the mobile handset delivered by deducting the fair value of the service element from the total contract consideration.

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

iv. Sales recognition on properties sold

When the inflow of economic benefits associated with the property sales transaction is assessed to be probable and significant risks and rewards of ownership of properties are transferred to purchasers, the Group recognized revenue in respect of the properties sold.

Management made judgement on whether the economic benefits associated with the property sales transaction will flow to the Group. Likelihood of inflow of economic benefits to the Group is demonstrated by the purchaser's commitment to pay, which in turn is supported by substantial initial investment that gives the purchaser a stake in the property sufficient that the risk of loss through default motivates the purchaser to honour his obligation to the Group. Inflow of economic benefits associated with the property sales transaction is also assessed by considering location of the property and the prevailing market price of similar properties.

Management has also made judgement on when significant risks and rewards of ownership of properties are transferred to purchasers. Risk and rewards of ownership of properties are transferred to purchasers upon execution of legally binding unconditional sales contracts upon which the beneficial interest in the properties passes to the purchasers.

The judgement on the likelihood of inflow of economic benefits associated with the property sales transaction and the transfer of risks and rewards of ownership of properties would affect the Group's profits for the year and the carrying value of properties under developments/held for sale.

v. 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.

The amount payable to the Government is a financial liability that is measured at amortized cost. Borrowing costs associated with this liability are capitalized as part of the property under development.

The estimated cost of developing the Cyberport project, including construction costs and the amounts paid and payable to the Government, is allocated to 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 2008 has resulted in the costs of properties sold recorded in the year ended December 31, 2008 being increased by HK$38 million.

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

vi. 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.

vii. 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 computation 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 would 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.

viii. Recognition of intangible asset – Mobile carrier licence

In order to measure the intangible assets, HKAS 39 "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 mobile carrier licence, 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.

ix. 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 by using the open market value approach and (ii) other principal assumptions including the receipt of contractual rentals, expected future market rentals and discount rates to determine the fair value of the investment properties. Had the Group used different future market rentals, discount rates and 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, 2008, the fair value of the investment properties was HK$3,785 million.

2. SEGMENT INFORMATION

An analysis of turnover and profit for the year of the Group by business and geographical segments is set out below:

a. Business segments

For the year ended December 31, 2008
(In HK$ million)

	Telecommunications Services ("TSS")	TV & Content	Mobile	PCCW Solutions	Pacific Century Premium Developments Limited ("PCPD")	Other Businesses	Eliminations	Consolidated
REVENUE								
Total revenue	**17,465**	**2,239**	**1,744**	**1,866**	**9,943**	**86**	**(1,392)**	**31,951**
RESULTS								
Segment results	**5,118**	**(359)**	**(536)**	**137**	**692**	**(509)**	**–**	**4,543**
Unallocated corporate expenses								**(1,014)**
Interest income								**197**
Finance costs								**(1,473)**
Share of results of associates and jointly controlled companies	**27**	**(16)**	**–**	**–**	**–**	**–**	**–**	**11**
Impairment losses on interests in jointly controlled companies	**–**	**(31)**	**–**	**–**	**–**	**–**	**–**	**(31)**
Profit before income tax								**2,233**
Income tax								**(711)**
Profit for the year								**1,522**

2. SEGMENT INFORMATION (CONTINUED)

For the year ended December 31, 2007
(In HK$ million)

	TSS*	TV & Content*	Mobile	PCCW Solutions	PCPD	Other Businesses	Eliminations	Consolidated
REVENUE								
Total revenue	16,636	1,703	1,468	1,795	3,134	249	(1,270)	23,715
RESULTS								
Segment results	5,322	(397)	(618)	96	715	(385)	–	4,733
Unallocated corporate expenses								(710)
Interest income								429
Finance costs								(1,658)
Share of results of associates and jointly controlled companies	25	(12)	–	–	–	–	–	13
Profit before income tax								2,807
Income tax								(970)
Profit for the year								1,837

* Certain comparative figures have been restated to conform with the business segment presentation in the current year. Certain interests in jointly controlled companies of the Group, previously included in TSS, has been reclassified to TV & Content.

b. Geographical segments

In HK$ million	Revenue from external customers 2008	Revenue from external customers 2007
Hong Kong	**29,153**	21,229
Mainland China (excluding Hong Kong) and Taiwan	**1,734**	1,691
Others	**1,064**	795
	31,951	23,715

3. OTHER LOSSES, NET

In HK$ million	**2008**	2007
Net realized gains on disposals of available-for-sale financial assets	**60**	79
Net realized and unrealized gains on financial assets at fair value through profit or loss	**–**	8
Impairment loss on goodwill	**(12)**	(58)
Provision for impairment of investments	**(161)**	(60)
Write back of impairment loss on interest in an associate	**–**	1
Provision for rental guarantee *(note a)*	**(12)**	(36)
Net realized and unrealized fair value gains on derivative financial instruments	**28**	62
Fair value (losses)/gains on investment properties	**(396)**	3
Dividend income	**2**	–
Unclaimed dividend payable by a subsidiary written back	**–**	2
Net gain on cash flow hedging instruments transferred from equity	**30**	9
Other impairment loss	**–**	(20)
Others	**(3)**	7
	(464)	(3)

a. Under the formal property sale and purchase agreement dated December 21, 2004 in respect of the disposal of PCCW Tower, on completion of the disposal, there is a rental guarantee pursuant to which Partner Link Investments Limited, an indirect wholly-owned subsidiary of PCPD, has undertaken to the purchaser that it would pay a guaranteed net monthly rental of approximately HK$13.3 million to the purchaser for a period of 5 years commencing from February 8, 2005, i.e. the date following completion of the disposal of PCCW Tower. As at December 31, 2008, the Group did not have any provision (2007: HK$9 million) in relation to the rental guarantee over the remaining term of the rental guarantee period.

4. PROFIT BEFORE INCOME TAX

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

In HK$ million	**2008**	2007
Crediting:		
Revenue from properties sold	**9,551**	2,797
Dividend income from unlisted investments	**2**	–
Gain on disposal of property, plant and equipment	–	7
Charging:		
Cost of sales, excluding properties sold	**9,780**	8,606
Cost of properties sold	**8,070**	1,932
Depreciation of property, plant and equipment	**2,824**	2,795
Amortization of intangible assets	**841**	445
Amortization of land lease premium	**31**	30
Loss on disposal of property, plant and equipment	**19**	–
Interest on borrowings	**1,400**	1,597
Staff costs	**2,687**	2,785

5. INCOME TAX

In HK$ million	**2008**	2007
Hong Kong profits tax	**1,831**	1,021
Overseas tax	**168**	47
Movement of deferred income tax	**(1,288)**	(98)
	711	970

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the year. Overseas tax has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

6. DIVIDENDS

In HK$ million	**2008**	2007
Interim dividend declared and paid of 7 HK cents (2007: 6.5 HK cents) per ordinary share	**474**	440
Final dividend proposed after the balance sheet date (2007: 13.5 HK cents) per ordinary share	**Note (a)**	915
	474	1,355

Note (a): Due to the current court proceedings, the Board has decided to defer its consideration of a final dividend.

7. EARNINGS PER SHARE

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

	2008	2007
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per share	**1,272**	1,503
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,772,942,656**	6,766,664,377
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	**–**	8,685,600
Effect of shares purchased from the market under the Company's share award schemes	**2,519,109**	2,401,495
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,775,461,765**	6,777,751,472

8. PROPERTIES HELD FOR/UNDER DEVELOPMENT/FOR SALE

In HK$ million	**2008**	2007
Properties under development *(note a)*	**1,017**	9,291
Properties held for development *(note b)*	**860**	816
	1,877	10,107
Less: Amounts classified as non-current assets	**(1,546)**	(1,671)
Amounts classified as current assets	**331**	8,436
Properties for sale classified as current assets *(note a)*	**2,071**	697
	2,402	9,133

a. 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. Pre-sales of the residential portion of the Cyberport project commenced in February 2003.

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

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

Pursuant to the Cyberport Project Agreement, the Group has a restricted cash balance of approximately HK$720 million as at December 31, 2008 (2007: HK$575 million) held in specific bank accounts. The uses of the funds are specified in the Cyberport Project Agreement.

In addition, the Company has set aside a total cash balance of approximately HK$103 million as at December 31, 2008 (2007: HK$106 million) in connection with the release of undertakings in relation to the capital reduction of the Company.

As at December 31, 2007, the remaining HK$1 million represented a bank deposit placed by an indirect subsidiary of the Company as a security for a bank guarantee issued in respect of the use of facilities at the Hong Kong International Airport for the provision of mobile services.

11. TRADE RECEIVABLES, NET

An aging analysis of trade receivables is set out below:

In HK$ million	**2008**	2007
0 – 30 days	**3,122**	1,584
31 – 60 days	**372**	461
61 – 90 days	**162**	209
91 – 120 days	**101**	142
Over 120 days	**887**	591
	4,644	2,987
Less: Impairment loss for doubtful debts	**(327)**	(278)
	4,317	2,709

Trade receivables in respect of properties sold are payable by the purchasers pursuant to the terms of the sales contracts. Other trade receivables have a normal credit period ranging up to 30 days from the date of invoice or per contracted terms unless there is a separate mutual agreement on extension of the credit period. Credit evaluations are performed on all customers requiring credit over a certain amount. Debtors who have overdue payable are requested to settle all outstanding balances before any further credit is granted.

12. TRADE PAYABLES

An aging analysis of trade payables is set out below:

In HK$ million	**2008**	2007
0 – 30 days	**1,094**	721
31 – 60 days	**83**	134
61 – 90 days	**55**	29
91 – 120 days	**26**	24
Over 120 days	**442**	356
	1,700	1,264

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

In HK$ million	2008		
	Government Share under the Cyberport Project Agreement *(Note a)*	**Others**	**Total**
Beginning of year	**6,886**	**33**	**6,919**
(Deduction)/Addition to amount payable	**(379)**	**1**	**(378)**
Settlement during the year	**(358)**	**(7)**	**(365)**
End of year	**6,149**	**27**	**6,176**
Less: Amounts classified as current liabilities	**(4,954)**	**(27)**	**(4,981)**
Amounts classified as non-current liabilities	**1,195**	**–**	**1,195**

a. Pursuant to the Cyberport Project Agreement, the Government shall be entitled to receive payments of approximately 65% of 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 included in properties under development as the amount is considered as part of the development costs of the Cyberport project. The amount payable is based on estimated sales proceeds of the residential portion of the Cyberport project and the estimated development costs of the Cyberport project. The estimated amount to be paid to the Government during the forthcoming year is classified as current liabilities.

14. POST BALANCE SHEET EVENTS

The following events occurred subsequent to December 31, 2008 and up to the date of approval of these financial statements by the Board:

On November 3, 2008, Pacific Century Regional Developments Limited ("PCRD") and China Network Communications Group Corporation (succeeded by China United Network Communications Group Company Limited ("Unicom") after Unicom's merger with China Network Communications Group Corporation), two substantial shareholders of the Company, requested the Board to put forward a proposal to privatize the Company by way of a scheme of arrangement under Section 166 of the Hong Kong Companies Ordinance (the "Scheme"). Details of the Scheme are set out in the Scheme Document dated December 6, 2008 and the Supplemental Scheme Document dated January 12, 2009 (collectively the "Scheme Documents"). Under the Scheme, the Scheme Shares (being shares in the Company other than those held by PCRD, Pacific Century Group Holdings Limited, Pacific Century Diversified Limited, Eisner Investments Limited, Starvest Limited and China Netcom Corporation (BVI) Limited (and/or Unicom)) will be cancelled in exchange for the payment by the Joint Offerors under the Scheme (being Starvest Limited and China Netcom Corporation (BVI) Limited) to each Scheme Shareholder in the sum of HK$4.2 per Scheme Share in cash. The said cancellation price was subsequently revised to HK$4.5 as set out in the Supplemental Scheme Document dated January 12, 2009.

14. POST BALANCE SHEET EVENTS (CONTINUED)

The conditions required to be fulfilled or waived (as the case may be) for the Scheme to become effective are provided in the Scheme Documents. Subject to the Scheme becoming effective, the Company would apply for the withdrawal of the listing of the Company's shares on the Stock Exchange. According to the Scheme Documents, new shares would be issued in the ratio of 74.27:25.73 to Starvest Limited and China Netcom Corporation (BVI) Limited (and/or Unicom) and in the same number as the number of Scheme Shares to be cancelled pursuant to the Scheme. Further, the Company would within 20 days after the effective date of the Scheme declare a special dividend to its post-scheme shareholders. The amount of the special dividend would not be less than HK$18,134 million and not more than HK$18,783 million.

The Directors as at the date of this announcement are as follows:

Executive Directors:
Mr. Li Tzar Kai, Richard (Chairman); Mr. Alexander Anthony Arena (Group Managing Director);
Mr. Peter Anthony Allen; Mr. Chung Cho Yee, Mico and Mr. Lee Chi Hong, Robert

Non-Executive Directors:
Sir David Ford, KBE, LVO; Mr. Lu Yimin; Mr. Zuo Xunsheng (Deputy Chairman) and Mr. Li Fushen

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

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 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 market in which PCCW operates.