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, 2010

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, 2010.

- Consolidated profit attributable to equity holders of the Company increased by 28% to HK$1,926 million; basic earnings per share amounted to 27.75 HK cents
- Core revenue increased by 3% to HK$21,467 million; consolidated revenue including PCPD amounted to HK$22,962 million, reflecting lower property development revenue recognized
- Core EBITDA increased by 5% to HK$7,069 million; consolidated EBITDA including PCPD was HK$7,353 million
- Final dividend of 10.2 HK cents per share

<u>Note</u>:
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

PCCW continued to demonstrate growth and improved profitability during the year and delivered a strong financial performance in 2010, reflecting continued success of our unique quadruple-play strategy in the core business. Driven by solid growth momentum across all core business segments, core revenue increased by 3% to HK$21,467 million for the year ended December 31, 2010, while core EBITDA also increased by 5% to HK$7,069 million.

PCPD revenue, comprising primarily property development revenue from the sales of ONE Pacific Heights and the Bel-Air project, was HK$1,495 million, compared with HK$4,222 million in 2009 when the sales revenue of a larger number of Bel-Air and ONE Pacific Heights units was recognized. Albeit the lower revenue, PCPD's consolidated net profit increased by 45% to HK$864 million for 2010, after taking into account of an increase in the fair value of investment properties.

Consolidated revenue including PCPD for the year ended December 31, 2010 was HK$22,962 million, compared with HK$25,077 million in 2009. Consolidated profit attributable to equity holders of the Company for the year ended December 31, 2010 increased by 28% to HK$1,926 million. Basic earnings per share increased to 27.75 HK cents in 2010.

The board of Directors (the "Board") has recommended the payment of a final dividend of 10.2 HK cents per share for the year ended December 31, 2010.

OUTLOOK

Despite intense competitive pressure in the Hong Kong telecommunications market, PCCW has been able to continue growing its businesses through innovation, focus and hard work. Our core segments made progress in the past year and, more importantly, exhibit a momentum for further growth in 2011 as the local and global economies continue to recover from the lingering impacts of the global financial crisis. In anticipation of increased market demand, PCCW has continued to invest in its networks - particularly in high speed fixed and mobile broadband technologies.

The Company is mindful that there are still uncertainties on the path of global economic recovery and we are seeing inflationary signs as cost pressures are emerging in the Hong Kong market. In 2011, management will keep a tight rein on costs and strive to increase productivity while building on the business strategies that have enabled PCCW to register a set of solid financial results for 2010, and we will be looking out for new opportunities.

FINANCIAL REVIEW BY SEGMENTS

For the year ended December 31, HK$ million	2010 H1	2010 H2	2010 Full Year	2009 H1	2009 H2	2009 Full Year	Better/(Worse) y-o-y
Revenue							
TSS	8,321	8,396	**16,717**	8,241	8,051	**16,292**	3%
Mobile	838	871	**1,709**	828	842	**1,670**	2%
TV & Content	1,179	1,204	**2,383**	1,092	1,258	**2,350**	1%
PCCW Solutions	1,087	1,021	**2,108**	905	939	**1,844**	14%
Other Businesses	26	40	**66**	26	35	**61**	8%
Eliminations	(719)	(797)	**(1,516)**	(624)	(738)	**(1,362)**	(11)%
Core revenue	10,732	10,735	**21,467**	10,468	10,387	**20,855**	3%
PCPD	1,070	425	**1,495**	2,306	1,916	**4,222**	(65)%
Consolidated revenue	11,802	11,160	**22,962**	12,774	12,303	**25,077**	(8)%
Cost of sales	(5,484)	(5,049)	**(10,533)**	(6,431)	(5,823)	**(12,254)**	14%
Operating costs before depreciation, amortization, loss on disposal of property, plant and equipment, and restructuring costs	(2,596)	(2,480)	**(5,076)**	(2,753)	(2,571)	**(5,324)**	5%
EBITDA[1]							
TSS	3,398	3,655	**7,053**	3,421	3,629	**7,050**	0%
Mobile	152	203	**355**	130	135	**265**	34%
TV & Content	43	189	**232**	(34)	38	**4**	>500%
PCCW Solutions	100	141	**241**	82	127	**209**	15%
Other Businesses	(324)	(488)	**(812)**	(315)	(495)	**(810)**	0%
Core EBITDA[1]	3,369	3,700	**7,069**	3,284	3,434	**6,718**	5%
PCPD	353	(69)	**284**	306	475	**781**	(64)%
Consolidated EBITDA[1]	3,722	3,631	**7,353**	3,590	3,909	**7,499**	(2)%
Core EBITDA Margin[1,2]	*31%*	*34%*	***33%***	*31%*	*33%*	***32%***	*1%*
Consolidated EBITDA Margin[1,2]	*32%*	*33%*	***32%***	*28%*	*32%*	***30%***	*2%*
Depreciation and amortization	(1,883)	(1,917)	**(3,800)**	(1,889)	(1,891)	**(3,780)**	(1)%
Loss on disposal of, and losses on, property, plant and equipment	(2)	(43)	**(45)**	–	(61)	**(61)**	26%
Net other gains and restructuring costs	33	1,181	**1,214**	(12)	255	**243**	400%
Interest income	9	18	**27**	12	6	**18**	50%
Finance costs	(806)	(781)	**(1,587)**	(748)	(737)	**(1,485)**	(7)%
Share of results of associates and jointly controlled companies	(13)	(69)	**(82)**	(31)	(24)	**(55)**	(49)%
Impairment loss reversed on interest in an associate	–	–	**–**	–	1	**1**	(100)%
Profit before income tax	1,060	2,020	**3,080**	922	1,458	**2,380**	29%

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

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

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

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

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

OPERATING DRIVERS[3]	**2010**		**2009**		Better/ (Worse)
	H1	**H2**	**H1**	**H2**	y-o-y
Exchange lines in service ('000)	2,587	2,590	2,590	2,588	0%
Business lines ('000)	1,180	1,183	1,183	1,182	0%
Residential lines ('000)	1,407	1,407	1,407	1,406	0%
Total broadband access lines ('000) (Consumer, business and wholesale customers)	1,298	1,367	1,305	1,297	5%
Retail consumer broadband subscribers ('000)	1,148	1,215	1,136	1,146	6%
Retail business broadband subscribers ('000)	114	115	113	114	1%
Traditional data (Exit Gbps)	953	1,045	792	837	25%
Retail IDD minutes ('M mins)	674	652	745	710	(9)%
International Private Leased Circuit bandwidth (Exit Mbps)	88,108	109,864	78,361	82,913	33%
now TV installed base ('000)	1,028	1,039	992	1,001	4%
Mobile subscribers ('000)	1,469	1,484	1,408	1,422	4%
3G post-paid ('000)	606	667	470	529	26%
2G post-paid ('000)	319	250	430	376	(34)%
2G prepaid ('000)	544	567	508	517	10%

Telecommunications Services ("TSS")

The table below sets out the financial performance of TSS for the year ended December 31, 2010 and December 31, 2009:

For the year ended December 31, HK$ million	**2010 H1**	**2010 H2**	**2010 Full Year**	**2009 H1**	**2009 H2**	**2009 Full Year**	Better/ (Worse) y-o-y
Local Telephony Services	1,921	1,679	**3,600**	2,126	1,862	**3,988**	(10)%
Local Data Services	2,627	2,643	**5,270**	2,509	2,434	**4,943**	7%
International Telecommunications Services	1,851	1,863	**3,714**	1,807	1,871	**3,678**	1%
Other Services	1,922	2,211	**4,133**	1,799	1,884	**3,683**	12%
TSS Revenue	8,321	8,396	**16,717**	8,241	8,051	**16,292**	3%
Cost of sales	(3,349)	(3,571)	**(6,920)**	(2,954)	(3,103)	**(6,057)**	(14)%
Operating costs before depreciation and amortization	(1,574)	(1,170)	**(2,744)**	(1,866)	(1,319)	**(3,185)**	14%
TSS EBITDA[1]	3,398	3,655	**7,053**	3,421	3,629	**7,050**	0%
TSS EBITDA margin[1,2]	*41%*	*44%*	***42%***	*42%*	*45%*	***43%***	

TSS revenue reported an increase of 3% to HK$16,717 million for the year ended December 31, 2010, while EBITDA remained stable at HK$7,053 million.

Local Telephony Services. Local telephony services revenue for the year ended December 31, 2010 was HK$3,600 million while total fixed lines in service at the end of 2010 increased slightly to 2,590,000. However, ARPU was under pressure in face of competition and fixed-mobile substitution. Nevertheless, more customers subscribed to PCCW eye Multimedia Service and PCCW eye2 during the year to enjoy a wide range of innovative features, which provides a potential uplift of ARPU in future.

Local Data Services. Local data services revenue, comprising broadband network revenue and local data revenue, increased by 7% to HK$5,270 million for the year ended December 31, 2010. The increase was underpinned by a remarkable 8% growth in broadband network revenue on the back of the rollout of higher speed services and our unique fixed/wireless broadband proposition, as well as more frequent net-surfing for online shopping, social networking and movie watching. At the end of 2010, total broadband access lines increased by 5% to 1,367,000.

International Telecommunications Services. International telecommunications services revenue for the year ended December 31, 2010 grew moderately to HK$3,714 million. The increase was driven by the satisfactory growth of wholesale voice and international connectivity services revenue due to the continued increase in demand for international bandwidth, but was partially offset by the lower IDD revenue from consumer and business customers.

Other Services. Other services revenue primarily included revenue from the sales of network equipment and customer premises equipment ("CPE") to consumers and enterprises, teleservices business, and provision of technical and maintenance services. Other services revenue for the year ended December 31, 2010 increased by 12% to HK$4,133 million, primarily driven by the 53% revenue growth of the teleservices business through organic growth and overseas expansion. Stronger CPE sales and other larger-scale telecommunications projects that had arisen from the increased business confidence also contributed to the revenue increase.

Mobile

For the year ended December 31, HK$ million	2010 H1	2010 H2	2010 Full Year	2009 H1	2009 H2	2009 Full Year	Better/ (Worse) y-o-y
Mobile Revenue	838	871	**1,709**	828	842	**1,670**	2%
Mobile EBITDA[1]	152	203	**355**	130	135	**265**	34%

Total mobile revenue for the year ended December 31, 2010 amounted to HK$1,709 million, a 2% increase compared to a year ago. Mobile subscription revenue increased by 3% in 2010, notably driven by an increased usage of mobile data with the rising popularity of smart phones and other smart devices.

Increased 3G data usage driven by smart devices with better margin thereon, combined with a highly cost efficient state-of-the-art integrated network and cost savings from certain cell site sharing arrangements, resulted in a significant increase of 34% in EBITDA to HK$355 million for the year ended December 31, 2010.

PCCW mobile's total subscribers reached 1,484,000 at the end of 2010, an increase of 4% over the previous year. 3G subscribers expanded to 667,000, 26% higher than a year ago. Total post-paid subscribers increased steadily to 917,000. 3G subscribers as a percentage of the total post-paid subscriber base continued to trend upward to 73% at the end of December 2010, compared to 58% a year earlier.

With PCCW mobile's leadership in high-speed data network, mobile data revenue continued its strong traction with another notable year-on-year growth of 47%, accounting for 41% of the mobile subscription revenue in 2010. Because PCCW mobile's innovative data services and products were well received in the smartphone and tablet markets, the proportion of smart devices users within our 3G customer base also increased significantly to 62% at the end of 2010.

Given the increased usage of data services and a larger 3G subscriber base, our blended 2G and 3G ARPU in December 2010 increased to HK$143, compared with HK$134 in June 2010.

TV & Content

For the year ended December 31, HK$ million	2010 H1	2010 H2	2010 Full Year	2009 H1	2009 H2	2009 Full Year	Better/ (Worse) y-o-y
TV & Content Revenue	1,179	1,204	**2,383**	1,092	1,258	**2,350**	1%
TV & Content EBITDA[1]	43	189	**232**	(34)	38	**4**	>500%

TV & Content business entered a new phase in 2010, reporting its first positive meaningful EBITDA of HK$232 million for the full year, which was significantly higher than the HK$4 million in 2009. This was the result of now TV's successful new content strategy whereby substantial cost savings were achieved following the non-renewal of Barclays Premier League ("BPL") broadcast rights in the second half of the year.

now TV maintained its market leadership with a continuous commitment to providing viewers with high quality programming, offering more than 190 channels of various genres that are complemented by on-demand and other interactive services. Following its decision not to renew the BPL broadcast rights, the Group has utilized its resources more effectively to acquire a range of top football and new premium sports programs to bolster its sports proposition. In addition, now TV has strengthened its suite of self-produced programs, including a brand new lifestyle and entertainment channel that was launched in early 2011.

During the year, the installed subscriber base expanded 4% to 1,039,000 at the end of 2010. The installed base ARPU, however, slightly softened to HK$165 at the end of 2010 from HK$174 a year earlier, as the price for the Mega Sports Pack was adjusted after the Group decided not to renew the BPL broadcast rights after the end of the 2009-2010 season. Meanwhile, advertising revenue rebounded in 2010, especially in the second half upon further revitalization of market activities. On balance, revenue for the year ended December 31, 2010 still increased slightly to HK$2,383 million.

PCCW Solutions

For the year ended December 31, HK$ million	2010 H1	2010 H2	2010 Full Year	2009 H1	2009 H2	2009 Full Year	Better/ (Worse) y-o-y
PCCW Solutions Revenue	1,087	1,021	**2,108**	905	939	**1,844**	14%
PCCW Solutions EBITDA[1]	100	141	**241**	82	127	**209**	15%

As a leading IT service provider, PCCW Solutions continued to perform very well in 2010. Benefiting from the general market recovery and impressive business growth in mainland China, PCCW Solutions reported strong results for the year ended December 31, 2010, with revenue surging by 14% to HK$2,108 million and EBITDA increasing by 15% to HK$241 million.

During the year, PCCW Solutions extended its core capabilities to launch a full spectrum of cloud computing services spanning across infrastructure, platform, application, content and process. In Hong Kong, PCCW Solutions continued to make good progress in securing new contracts as well as expanding service scope with existing clients in both the private and public sectors for IT outsourcing, data center, systems design and integration, infrastructure and technical services, application outsourcing and business process outsourcing.

Meanwhile, revenue contribution from projects with telecommunications companies in mainland China continued to grow strongly in 2010, and PCCW Solutions has successfully expanded services into other vertical industries in the Mainland.

PCPD

PCPD recorded a revenue of HK$1,495 million for the year ended December 31, 2010, compared with HK$4,222 million a year earlier. Albeit the lower revenue, PCPD’s consolidated net profit increased by 45% to HK$864 million for 2010, after taking into account of an increase in the fair value of investment properties.

In Hong Kong, eight houses at Villa Bel-Air were sold at favorable prices during 2010, and the sale of the remaining houses will continue. Pacific Century Place, PCPD’s investment property in Beijing, mainland China, enjoyed an average occupancy rate of approximately 76% for the year ended December 31, 2010.

As for overseas projects, design work for Phase I of the Hanazono all-season resort in Hokkaido, Japan is now underway. The resort will consist of hotels, apartments and villas. In addition, PCPD has signed contracts with one of the top-class international hotel operator for the management of a hotel in its project in Phang-nga, southern Thailand.

For more information about the performance of PCPD, please refer to its 2010 annual results released on March 22, 2011.

Other Businesses

Other Businesses primarily comprised certain overseas operations and corporate support functions. Revenue from Other Businesses was HK$66 million for the year ended December 31, 2010. During the year, the cost to the Group of Other Businesses remained stable at HK$812 million.

Eliminations

Eliminations was HK$1,516 million for the year ended December 31, 2010. Eliminations is related to internal charges for telecommunications services consumed, IT support and computer system network charges, customer support services and rental among the Group's business units.

Costs

Cost of Sales

For the year ended December 31, HK$ million	2010 H1	2010 H2	2010 Full Year	2009 H1	2009 H2	2009 Full Year	Better/ (Worse) y-o-y
The Group (excluding PCPD)	4,932	4,837	**9,769**	4,507	4,669	**9,176**	(6)%
PCPD	552	212	**764**	1,924	1,154	**3,078**	75%
Group Total	5,484	5,049	**10,533**	6,431	5,823	**12,254**	14%

The Group's consolidated total cost of sales for the year ended December 31, 2010 decreased by 14% to HK$10,533 million. The change was primarily due to a 75% decrease in PCPD's cost of sales to HK$764 million in relation to lower cost recognized for its property development projects. Gross margin improved to 54% in 2010, compared with 51% a year ago.

As core revenue increased, the Group's cost of sales excluding PCPD also increased to HK$9,769 million.

General and Administrative Expenses

The Group continued to implement cost management measures appropriate for the challenging operating environment in 2010. Operating expenses such as marketing, corporate support functions and operating costs of property, plant and equipment, net were reduced, resulting in a 7% decrease in core operating expenses (excluding PCPD) and an overall 5% decrease in total operating expenses before depreciation and amortization, loss on disposal of property, plant and equipment, and restructuring costs for the year ended December 31, 2010. Taking into account the depreciation and amortization expenses of HK$3,800 million, general and administrative expenses decreased to HK$8,924 million.

EBITDA[1]

Solid performance in all core segments led to an overall core EBITDA improvement in 2010. Core EBITDA increased by 5% to HK$7,069 million for the year ended December 31, 2010. Core EBITDA margin also improved to 33% in 2010 from 32% in 2009.

With PCPD EBITDA at HK$284 million due to lower property development EBITDA recognized from ONE Pacific Heights and the Bel-Air project, consolidated EBITDA including PCPD decreased by 2% from a year ago to HK$7,353 million for the year ended December 31, 2010. Consolidated EBITDA margin increased by 2 percentage points from a year ago to 32% in 2010.

Interest Income and Finance Costs

Interest income increased by 50% to HK$27 million for the year ended December 31, 2010 due to a higher average deposit income rate in 2010. Finance costs increased by 7% to HK$1,587 million due to one-off expenses associated with the new term loan and revolving credit facility during the year. Net finance cost, therefore, increased by 6% to HK$1,560 million.

Income Tax

Income tax expenses for the year ended December 31, 2010 increased by 29% to HK$756 million, and the Group's effective tax rate for the year ended December 31, 2010 was 25% (2009: 25%). The increase in tax expenses was mainly due to increases in certain overseas tax provisions and deferred income tax (relating to property valuation).

The 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. Excluding this factor, the Group would have an effective tax rate around the statutory tax rate of 16.5%.

Non-controlling Interests

Non-controlling interests of HK$398 million primarily represented the net profit attributable to the minority shareholders of PCPD.

Consolidated Profit Attributable to Equity Holders of the Company

Consolidated profit attributable to equity holders of the Company for the year ended December 31, 2010 increased by 28% to HK$1,926 million (2009: HK$1,506 million).

LIQUIDITY AND CAPITAL RESOURCES

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

In May 2010, the Group obtained a HK$16 billion self-arranged term loan and revolving credit facility. Taking advantage of the favorable market environment, the Group raised US$500 million through a bond issue in August 2010. In the same month, the Group placed 500,000,000 ordinary shares at a price of HK$2.60 per share, and the proceeds from the shares placement were approximately HK$1,300 million (before deduction of expenses).

The Group's gross debt[4] was HK$35,315 million as at December 31, 2010 (December 31, 2009: HK$35,262 million). Cash and cash equivalents totaled HK$8,101 million as at December 31, 2010 (December 31, 2009: HK$8,049 million). The Group's net debt[4] was HK$27,182 million as at December 31, 2010 (December 31, 2009: HK$27,161 million).

As at December 31, 2010, the Group had a total of HK$30,320 million in committed banking facilities available for liquidity management, of which HK$14,486 million remained undrawn.

The Group's gross debt[4] to total assets was 73% as at December 31, 2010 (2009: 78%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at December 31, 2010, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody’s Investors Service (Baa2) and Standard & Poor’s Ratings Services (BBB).

CAPITAL EXPENDITURE[5]

Group capital expenditure for the year ended December 31, 2010 was HK$1,847 million (2009: HK$1,668 million). Major outlays for the year were customer driven increases in capacity and network coverage, mainly due to expanded investments and enhancement in meeting demand on high-speed broadband services, quadruple-play and international networks.

Going forward, PCCW will continue to invest in its unique quadruple-play platform and networks having regard to the prevailing market conditions, and using assessment criteria including internal rate of return, net present value and payback period.

HEDGING

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

In the normal course of business, the Group enters into forward contracts and other derivative contracts in order to limit its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions, and all contracts are denominated in currencies of major industrial countries. As at December 31, 2010, all cross currency swap contracts were designated as cash flow hedges and fair value hedges for the Group’s foreign currency denominated long-term borrowings.

CHARGE ON ASSETS

As at December 31, 2010, certain assets of the Group with an aggregate carrying value of HK$5,193 million (2009: HK$3,913 million) were pledged to secure loans and banking facilities of the Group.

CONTINGENT LIABILITIES

As at December 31, HK$ million	**2010**	2009
Performance guarantee	**377**	393
Others	**44**	34
	421	427

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

The Group has assessed the likely outcome of the final assessment of the Development Maintenance Account of the Cyberport Project, details of which are disclosed in Note 1(v) to the financial information extracted from the audited consolidated financial statements.

HUMAN RESOURCES

As at December 31, 2010, the Group had approximately 19,300 employees (June 30, 2010: 18,700). About 60% of these employees work in Hong Kong and the others are based mainly in the PRC and the United States. The Company has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve the Company's business performance targets. Payment of bonuses is generally based on achievement of EBITDA[1] and free cash flow targets for the Group as a whole and for each of the individual business units.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 10.2 HK cents (2009: 13.3 HK cents) per share for the year ended December 31, 2010 subject to the approval of shareholders of the Company at the forthcoming annual general meeting. An interim dividend of 5.1 HK cents per share (2009: nil) for the six months ended June 30, 2010 was paid by the Company on October 5, 2010. The Company will issue a notice of closure of the register of members and the date of annual general meeting in due course.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies adopted by the Group and the audited consolidated financial statements of the Group for the year ended December 31, 2010.

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 of Hong Kong Limited throughout the year ended December 31, 2010.

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.hkexnews.hk). The 2010 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, March 22, 2011

AUDITED CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2010
(In HK$ million except for earnings per share)

	Note(s)	**2010**	2009
Turnover	2	**22,962**	25,077
Cost of sales		**(10,533)**	(12,254)
General and administrative expenses		**(8,924)**	(9,029)
Other gains, net	3	**1,217**	168
Losses on property, plant and equipment		**–**	(61)
Interest income		**27**	18
Finance costs		**(1,587)**	(1,485)
Share of results of associates		**47**	61
Share of results of jointly controlled companies		**(129)**	(116)
Impairment loss reversed on interest in an associate		**–**	1
Profit before income tax	2, 4	**3,080**	2,380
Income tax	5	**(756)**	(585)
Profit for the year		**2,324**	1,795
Attributable to:			
Equity holders of the Company		**1,926**	1,506
Non-controlling interests		**398**	289
Profit for the year		**2,324**	1,795
Earnings per share	7		
Basic		**27.75 cents**	22.24 cents
Diluted		**27.75 cents**	22.23 cents

AUDITED CONSOLIDATED AND COMPANY BALANCE SHEETS
As at December 31, 2010
(In HK$ million)

	Note	The Group 2010	The Group 2009	The Company 2010	The Company 2009
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		**15,452**	16,300	**–**	–
Investment properties		**5,085**	3,794	**–**	–
Interests in leasehold land		**552**	575	**–**	–
Properties held for/under development	8	**1,052**	904	**–**	–
Goodwill		**3,170**	3,096	**–**	–
Intangible assets		**2,388**	1,728	**–**	–
Investments in subsidiaries		**–**	–	**12,089**	12,089
Interest in associates		**233**	189	**–**	–
Interest in jointly controlled companies		**477**	514	**–**	–
Held-to-maturity investments		**2**	3	**–**	–
Available-for-sale financial assets		**281**	325	**–**	–
Derivative financial instruments		**152**	–	**–**	–
Deferred income tax assets		**78**	65	**–**	–
Other non-current assets		**465**	441	**–**	–
		29,387	27,934	**12,089**	12,089
Current assets					
Properties for sale	8	**772**	698	**–**	–
Amounts due from subsidiaries		**–**	–	**18,262**	16,586
Sales proceeds held in stakeholders' accounts	9	**845**	1,271	**–**	–
Restricted cash	10	**2,281**	1,001	**32**	52
Prepayments, deposits and other current assets		**3,226**	2,488	**10**	9
Inventories		**957**	992	**–**	–
Amounts due from related companies		**2**	8	**–**	–
Derivative financial instruments		**17**	108	**–**	–
Trade receivables, net	11	**2,529**	2,418	**–**	–
Tax recoverable		**16**	16	**–**	–
Cash and cash equivalents		**8,101**	8,049	**194**	93
		18,746	17,049	**18,498**	16,740

AUDITED CONSOLIDATED AND COMPANY BALANCE SHEETS (CONTINUED)
As at December 31, 2010
(In HK$ million)

		The Group		The Company	
	Note	**2010**	2009	**2010**	2009
Current liabilities					
Short-term borrowings		**(7,800)**	(246)	**–**	(200)
Trade payables	12	**(1,705)**	(1,645)	**–**	–
Accruals and other payables		**(4,005)**	(4,441)	**(7)**	(6)
Amount payable to the Government under the Cyberport Project Agreement	13	**(1,606)**	(833)	**–**	–
Carrier licence fee liabilities		**(143)**	(85)	**–**	–
Amounts due to related companies		**(57)**	(42)	**–**	–
Advances from customers		**(1,860)**	(1,768)	**–**	–
Current income tax liabilities		**(568)**	(767)	**–**	–
		(17,744)	(9,827)	**(7)**	(206)
Net current assets		**1,002**	7,222	**18,491**	16,534
Total assets less current liabilities		**30,389**	35,156	**30,580**	28,623
Non-current liabilities					
Long-term borrowings		**(27,041)**	(34,667)	**–**	–
Derivative financial instruments		**(102)**	–	**–**	–
Deferred income tax liabilities		**(2,109)**	(1,276)	**–**	–
Deferred income		**(727)**	(651)	**–**	–
Defined benefit liability		**(4)**	(5)	**–**	–
Carrier licence fee liabilities		**(895)**	(480)	**–**	–
Other long-term liabilities		**(119)**	(102)	**–**	–
		(30,997)	(37,181)	**–**	–
Net (liabilities)/assets		**(608)**	(2,025)	**30,580**	28,623
CAPITAL AND RESERVES					
Share capital		**1,818**	1,693	**1,818**	1,693
(Deficit)/Reserves		**(5,081)**	(7,138)	**28,762**	26,930
Equity attributable to equity holders of the Company		**(3,263)**	(5,445)	**30,580**	28,623
Non-controlling interests		**2,655**	3,420	**–**	–
Total equity		**(608)**	(2,025)	**30,580**	28,623

NOTES

1. BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES

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, 2009, 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, 2010. 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.

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

- HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss.

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

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

- HKAS 1 (amendment), 'Presentation of financial statements'.
- HKAS 17 (amendment), 'Leases'.
- HKAS 32 (amendment), 'Financial instruments: Presentation'.
- HKAS 39 (amendment), 'Financial instruments: Recognition and measurement'.
- HKFRS 1 (revised), 'First-time adoption of HKFRSs'.
- HKFRS 1 (amendment), 'First-time adoption of HKFRSs'.
- HKFRS 2 (amendments), 'Share-based payment'.
- HK(IFRIC) – Int 9, 'Reassessment of embedded derivatives'.
- HK(IFRIC) – Int 17, 'Distribution of non-cash assets to owners'.
- HK(IFRIC) – Int 18, 'Transfers of assets from customers'.
- HK – Int 5, 'Presentation of financial instruments – classification by the borrower of a term loan that contains a repayment on demand clause'.
- Improvement related to HKFRS 5 'Non-current assets held for sale and discontinued operations' as part of the first improvements to HKFRSs (2008) issued in October 2008 by the HKICPA.
- Second improvements to HKFRSs (2009) issued in May 2009 by the HKICPA.

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 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.

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

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 associates and jointly controlled companies;
- goodwill; and
- investments 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.

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, 2009, 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 June 30, 2009. As a result, the Group's profit for the year ended December 31, 2009 increased and its net liabilities as at December 31, 2009 decreased by HK$57 million.

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

iii. Revenue recognition *(continued)*

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. 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 investment that gives the purchaser a stake in the property sufficient that the risk of loss through default motivates the purchaser to honour the 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 profit for the year and the carrying value of properties under development/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 properties under development.

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

v. 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 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, 2010 has resulted in the costs of properties sold recorded in the year ended December 31, 2010 being decreased by HK$95 million.

Under the Cyberport Project Agreement, a Development Maintenance Account (the "DMA Account") was established for the provision of funds (the "DMA Amount") for the upkeep and maintenance of certain facilities commonly available to both tenants and visitors at the commercial portion of the Cyberport project (see note 8). In 2004, the DMA Amount provisionally assessed at HK$500 million, had been funded jointly by the Government and the Group to the DMA Account.

The Group has been in discussions with the Government and Hong Kong Cyberport Management Company Limited ("HKCMCL") concerning the purported final assessment of the DMA Amount made by HKCMCL in December 2009 under the terms of the Cyberport Project Agreement. By that assessment, HKCMCL purported to increase the level of funding of the DMA Account from HK$500 million to approximately HK$1,700 million. On May 20, 2010, HKCMCL commenced legal proceedings against Cyber-Port Limited (a wholly owned subsidiary of PCPD, which in turn a 61.53% indirectly owned subsidiary of PCCW, and hereinafter "CPL") by way of originating summons (the "Originating Summons") in which it sought declarations as to its purported final assessment. On May 22, 2010, CPL and PCCW responded to the filing of the Originating Summons by commencing legal proceedings by way of writ (the "Writ Action") against HKCMCL and its affiliates, Hong Kong Cyberport Development Holdings Limited and Hong Kong Cyberport (Ancillary Development) Limited (together, the "FSI Companies"), seeking orders to quash the purported final assessment of the DMA Amount and the purported auditors' certificate issued in relation to same and damages. On September 28, 2010, upon an application by CPL and PCCW, the Court gave an order to the effect that the Originating Summons proceedings be consolidated with the Writ Action. The Court also gave orders requiring discovery by the parties.

There have been a number of interlocutory hearings in the Writ Action since then:

a. On November 25, 2010, the Court rejected an application by the FSI Companies to transfer the Writ Action into the Commercial List.

b. On January 11, 2011, the Court gave various further case management directions, including an order requiring the FSI Companies to identify their witnesses in the Writ Action.

c. On February 7, 2011, the Court part-heard an application by CPL and PCCW that two Government bureaux which are not parties to the litigation gave discovery of certain categories of documents relevant to the issues in dispute in the Writ Action. The Court adjourned the hearing and gave directions as to the filing of further evidence for the application, which has been re-listed for hearing on August 10, 2011.

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

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

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

Should the final assessment figure of DMA Amount become different from the HK$500 million which management has estimated, provision will have to be made accordingly.

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 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.

viii. Recognition of intangible asset – Carrier licences

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 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)

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, 2010, the fair value of the investment properties was HK$5,085 million.

x. Estimated property holding cost recoverable from the Government

The Group and the Government have been engaged in ongoing discussion throughout the year 2010 in order to determine the amount of rates and Government rent payable by the Group. Based on these on-going discussions, management has revised its estimate of the rates and Government rent expenses and recorded a corresponding reduction in operating costs of property, plant and equipment, net during the year. The discussion was finalized in January 2011 whereby the Government has revised its assessment for the relevant years and refunded the prior years' excess payments made by the Group.

xi. Recognition of fixed-mobile interconnection charge

The Office of the Telecommunications Authority of Hong Kong withdrew its regulatory guidance on the fixed-mobile interconnection charge ("FMIC") on April 27, 2009 as FMIC should be settled by commercial agreements between fixed and mobile operators without regulatory intervention. The Group continued providing to and receiving from other operators interconnection services and has stopped recognizing FMIC revenue from April 27, 2009 but has continued to provide for potential FMIC costs. In the current year, the Group has reached agreements with certain operators on the FMIC and stopped providing for FMIC costs. Excess accrued FMIC costs made were reversed.

2. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

For the year ended December 31, 2010
(In HK$ million)

	TSS	Mobile	TV & Content	PCCW Solutions	PCPD	Other Businesses	Eliminations	Consolidated
REVENUE								
Total revenue	**16,717**	**1,709**	**2,383**	**2,108**	**1,495**	**66**	**(1,516)**	**22,962**
RESULTS								
EBITDA	**7,053**	**355**	**232**	**241**	**284**	**(812)**	**–**	**7,353**

For the year ended December 31, 2009
(In HK$ million)

	TSS	Mobile	TV & Content	PCCW Solutions	PCPD	Other Businesses	Eliminations	Consolidated
REVENUE								
Total revenue	16,292	1,670	2,350	1,844	4,222	61	(1,362)	25,077
RESULTS								
EBITDA	7,050	265	4	209	781	(810)	–	7,499

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

In HK$ million	2010	2009
Total segment EBITDA	**7,353**	7,499
Loss on disposal of property, plant and equipment	**(45)**	–
Depreciation and amortization	**(3,800)**	(3,780)
Other gains, net	**1,217**	168
Losses on property, plant and equipment	**–**	(61)
Interest income	**27**	18
Finance costs	**(1,587)**	(1,485)
Share of results of associates and jointly controlled companies	**(82)**	(55)
Impairment loss reversed on interest in an associate	**–**	1
Restructuring costs (recognized)/reversed	**(3)**	75
Profit before income tax	**3,080**	2,380

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	Revenue from external customers	
	2010	2009
Hong Kong (place of domicile)	**19,308**	22,136
Mainland China (excluding Hong Kong) and Taiwan	**1,783**	1,656
Others	**1,871**	1,285
	22,962	25,077

3. OTHER GAINS, NET

In HK$ million	**2010**	2009
Net realized gains on disposals of available-for-sale financial assets	**10**	–
Realized gain from investment in available-for-sale financial assets	**21**	–
Net realized gains on disposal of an associate	**1**	–
Net realized gains on disposals of subsidiaries	**–**	232
Provision for impairment of investments	**(21)**	–
Impairment loss on goodwill	**–**	(96)
Fair value gains on investment properties	**1,155**	1
Dividend income	**–**	4
Net gain on cash flow hedging instruments transferred from equity	**41**	42
Others	**10**	(15)
	1,217	168

4. PROFIT BEFORE INCOME TAX

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

In HK$ million	2010	2009
Crediting:		
Revenue from properties sold	**1,100**	3,855
Dividend income from listed investments	**–**	4
Charging:		
Cost of inventories sold	**2,056**	1,932
Cost of properties sold	**640**	2,917
Cost of sales, excluding inventories and properties sold	**7,837**	7,405
Depreciation of property, plant and equipment	**2,678**	2,677
Operating costs of property, plant and equipment, net	**100**	334
Amortization of intangible assets	**1,099**	1,081
Amortization of land lease premium	**23**	22
Loss on disposal of property, plant and equipment	**45**	–
Interest on borrowings	**1,500**	1,417
Staff costs	**2,590**	2,469

5. INCOME TAX

In HK$ million	2010	2009
Hong Kong profits tax	**(68)**	64
Overseas tax	**14**	(29)
Movement of deferred income tax	**810**	550
	756	585

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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	**2010**	2009
Interim dividend declared and paid in respect of current year of 5.1 HK cents per ordinary share (2009: nil)	**370**	–
Final dividend declared in respect of previous financial year, approved and paid during the year of 13.3 HK cents per ordinary share (2009: nil)	**901**	–
Special dividend declared and paid during the year - nil (2009: 130 HK cents per ordinary share)	**–**	8,804
	1,271	8,804
Final dividend proposed after the balance sheet date of 10.2 HK cents (2009: 13.3 HK cents) per ordinary share	**742**	901

The final dividend proposed after the balance sheet date for 2010 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:

	2010	2009
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per share	**1,926**	1,506
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,940,787,805**	6,772,294,654
Effect of the Company's share award schemes	**–**	2,519,109
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,940,787,805**	6,774,813,763

8. PROPERTIES HELD FOR/UNDER DEVELOPMENT/FOR SALE

In HK$ million	**2010**	2009
Properties under development *(note a)*	**428**	356
Properties held for development *(note b)*	**624**	548
	1,052	904
Less: Properties held for/under development classified as non-current assets	**(1,052)**	(904)
Properties under development classified as current assets	**–**	–
Properties for sale classified as current assets *(note a)*	**772**	698
	772	698

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. The construction of residential portion of the Cyberport project was completed in November 2008.

b. Properties held for development represents freehold land in 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$2,245 million as at December 31, 2010 (2009: HK$936 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$32 million as at December 31, 2010 (2009: HK$52 million) in connection with the release of undertakings in relation to the capital reduction of the Company.

As at December 31, 2010, the remaining balance of HK$4 million (2009: HK$13 million) represented amount held on behalf of property owners whose properties are managed by the Group. The uses of the funds are specified in the agreements between the owners and the Group.

11. TRADE RECEIVABLES, NET

An aging analysis of trade receivables is set out below:

In HK$ million	**2010**	2009
0 – 30 days	**1,464**	1,534
31 – 60 days	**308**	321
61 – 90 days	**185**	174
91 – 120 days	**96**	108
Over 120 days	**682**	583
	2,735	2,720
Less: Impairment loss for doubtful debts	**(206)**	(302)
	2,529	2,418

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

12. TRADE PAYABLES

An aging analysis of trade payables is set out below:

In HK$ million	**2010**	2009
0 – 30 days	**901**	927
31 – 60 days	**184**	111
61 – 90 days	**30**	44
91 – 120 days	**15**	40
Over 120 days	**575**	523
	1,705	1,645

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

In HK$ million		2010	
	Government share under the Cyberport Project Agreement *(Note a)*	**Others**	**Total**
Beginning of year	**803**	**30**	**833**
Addition to amount payable	**771**	**2**	**773**
End of year, classified as current liabilities	**1,574**	**32**	**1,606**

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.

b. Under the Cyberport Project Agreement, the provision of DMA Amount (see note 1(v)) for the upkeep and maintenance of certain facilities commonly available to both tenants and visitors at the commercial portion of the Cyberport project was provisionally assessed at HK$500 million and forms part of certain allowable costs incurred on the project, as stipulated under the terms and conditions of the Cyberport Project Agreement.

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

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

Non-Executive Directors:
Sir David Ford, KBE, LVO; Lu Yimin; Zuo Xunsheng (Deputy Chairman); Li Fushen; Chung Cho Yee, Mico and Tse Sze Wing, Edmund, GBS

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