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, 2014

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, 2014.

- Core revenue increased by 24% to HK$32,962 million; consolidated revenue (including PCPD) increased by 22% to HK$33,277 million
- Core EBITDA increased by 29% to HK$10,506 million; consolidated EBITDA (including PCPD) increased by 29% to HK$10,340 million
- Consolidated profit attributable to equity holders of the Company increased by 76% to HK$3,310 million; basic earnings per share amounted to 45.14 HK cents
- Final dividend of 13.21 HK cents per ordinary share

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

MANAGEMENT REVIEW

We are pleased to announce a set of solid financial results by PCCW for the year ended December 31, 2014, which was attributable to the satisfactory operational and financial performance of its core businesses.

Core revenue for the year ended December 31, 2014 increased by 24% to HK$32,962 million. Core EBITDA increased by 29% to HK$10,506 million given a strong contribution from HKT and continued growth of the Solutions business.

Including PCPD, consolidated revenue for the year ended December 31, 2014 increased by 22% to HK$33,277 million and consolidated EBITDA increased by 29% to HK$10,340 million. After taking into account a gain after tax and non-controlling interests of HK$1,306 million on the disposal of the entire interest in Pacific Century Place, Beijing by PCPD, consolidated profit attributable to equity holders of the Company increased by 76% to HK$3,310 million. Basic earnings per share were 45.14 HK cents.

The board of Directors (the “Board”) has recommended the payment of a final dividend of 13.21 HK cents per ordinary share for the year ended December 31, 2014.

OUTLOOK

The Media group has been making good progress in its transformation into a leading digital media and entertainment company through development of its regional and international content distribution and over-the-top (“OTT”) service in Hong Kong. The team will also ensure that now TV being the market leader by far continues to offer customers the best viewing experience with quality production.

The Solutions business looks forward to further expansion both in terms of competencies and geographical reach into the U.S. and European markets in the coming year. We will augment our global capabilities in the digital ecosystem in order to become the digital partner of choice.

HKT’s acquisition of CSL New World Mobility Limited (now known as CSL Holdings Limited, “CSL”) has firmly established itself as the leading telecom service provider in Hong Kong in not only fixed line and broadband, but also mobile communications. We expect that more significant synergies can be realized in the coming periods and HKT’s business propositions further strengthened by its offerings of integrated and value-added services such as fixed-mobile integration solutions.

The global economy continues to face uncertainties in the new year while local economic growth has slowed down. In view of 2015 looking set to be a year of both challenges and opportunities, the management team will steadfastly execute its strategies to further grow our businesses while closely monitoring the external environment.

PCCW’s vision is to become a global leader in the increasingly digital world. Given our excellent local and global connectivity, strong media content production and delivery platform, and first-class IT capability, the management team believes that we can further build on our strengths to drive digital lifestyle and experience to its fullest.

FINANCIAL REVIEW BY SEGMENT

For the year ended December 31, HK$ million	**2013**			**2014**			Better/ (Worse)
	H1	**H2**	**Full Year**	**H1**	**H2**	**Full Year**	y-o-y
Revenue							
HKT	11,071	11,761	**22,832**	12,520	16,303	**28,823**	26%
Media Business	1,299	1,721	**3,020**	1,487	1,744	**3,231**	7%
Solutions Business	1,393	1,568	**2,961**	1,459	1,911	**3,370**	14%
Other Businesses	28	30	**58**	18	26	**44**	(24)%
Eliminations	(976)	(1,252)	**(2,228)**	(1,044)	(1,462)	**(2,506)**	(12)%
Core revenue	12,815	13,828	**26,643**	14,440	18,522	**32,962**	24%
PCPD	499	175	**674**	224	91	**315**	(53)%
Consolidated revenue	13,314	14,003	**27,317**	14,664	18,613	**33,277**	22%
Cost of sales	(6,343)	(6,768)	**(13,111)**	(6,782)	(8,369)	**(15,151)**	(16)%
Operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net	(3,025)	(3,148)	**(6,173)**	(3,506)	(4,280)	**(7,786)**	(26)%
EBITDA[1]							
HKT	3,839	4,062	**7,901**	4,425	5,817	**10,242**	30%
Media Business	223	285	**508**	180	272	**452**	(11)%
Solutions Business	217	303	**520**	232	390	**622**	20%
Other Businesses	(268)	(286)	**(554)**	(301)	(329)	**(630)**	(14)%
Eliminations	(75)	(171)	**(246)**	(79)	(101)	**(180)**	27%
Core EBITDA[1]	3,936	4,193	**8,129**	4,457	6,049	**10,506**	29%
PCPD	10	(106)	**(96)**	(81)	(85)	**(166)**	(73)%
Consolidated EBITDA[1]	3,946	4,087	**8,033**	4,376	5,964	**10,340**	29%
Core EBITDA*[1] *Margin	*31%*	*30%*	***31%***	*31%*	*33%*	***32%***	
Consolidated EBITDA*[1] *Margin	*30%*	*29%*	***29%***	*30%*	*32%*	***31%***	
Depreciation and amortization	(2,266)	(2,305)	**(4,571)**	(2,517)	(3,786)	**(6,303)**	(38)%
Gain/(Loss) on disposal of property, plant and equipment, net	5	4	**9**	(2)	–	**(2)**	NA
Other gains, net	196	489	**685**	688	2,029	**2,717**	297%
Interest income	37	43	**80**	45	45	**90**	13%
Finance costs	(595)	(516)	**(1,111)**	(573)	(845)	**(1,418)**	(28)%
Share of results of associates and joint ventures	32	108	**140**	9	41	**50**	(64)%
Profit before income tax	1,355	1,910	**3,265**	2,026	3,448	**5,474**	68%

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

Note 2 *Gross debt refers to the principal amount of short-term borrowings and long-term borrowings. Net debt refers to the principal amount of short-term borrowings and long-term borrowings minus cash and cash equivalents and short-term deposits.*

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

HKT

For the year ended December 31, HK$ million	**2013**			**2014**			Better/ (Worse)
	H1	**H2**	**Full Year**	**H1**	**H2**	**Full Year**	y-o-y
HKT Revenue	11,071	11,761	**22,832**	12,520	16,303	**28,823**	26%
HKT EBITDA[1]	3,839	4,062	**7,901**	4,425	5,817	**10,242**	30%
HKT EBITDA[1] margin	*35%*	*35%*	***35%***	*35%*	*36%*	***36%***	
HKT Adjusted Funds Flow	1,484	1,417	**2,901**	1,590	1,764	**3,354**	16%

HKT reported another set of strong financial results for the year ended December 31, 2014, which was characterized by satisfactory performance of its various lines of business and also significantly the consolidation of the results of CSL since the completion of the acquisition in May 2014.

Total revenue for the year ended December 31, 2014 increased by 26% to HK$28,823 million and total EBITDA for the year was HK$10,242 million, an increase of 30% over the previous year. Adjusted funds flow for the year ended December 31, 2014 reached HK$3,354 million, an increase of 16% over the previous year.

HKT recommended the payment of a final distribution of 23.30 HK cents per Share Stapled Unit for the year ended December 31, 2014. This brings the 2014 full-year distribution to 44.30 HK cents per Share Stapled Unit, representing the complete payout of the adjusted funds flow per Share Stapled Unit. The 2014 full-year distribution is based on the enlarged Share Stapled Units in issue after the HKT's rights issue completed in July 2014.

For a more detailed review of the performance of HKT, please refer to its 2014 annual results announcement released on February 10, 2015.

Media Business

For the year ended December 31, HK$ million	2013 H1	2013 H2	2013 Full Year	2014 H1	2014 H2	2014 Full Year	Better/ (Worse) y-o-y
Media Business Revenue	1,299	1,721	**3,020**	1,487	1,744	**3,231**	7%
Media Business EBITDA[1]	223	285	**508**	180	272	**452**	(11)%
Media Business EBITDA[1] margin	*17%*	*17%*	***17%***	*12%*	*16%*	***14%***	

Revenue for the Media business for the year ended December 31, 2014 increased by 7% to HK$3,231 million from HK$3,020 million a year earlier, mainly due to improvements in subscription and advertising revenues.

The growth in subscription revenue at now TV reflected the full-year benefit of customer take-up of the Super Sports Pack which includes the exclusive broadcast of the Barclays Premier League ("BPL"). Take-up of the Super Sports Pack was further boosted by the availability of the 2014 FIFA World Cup Brazil via now TV's distribution agreement with TVB Network Vision.

The total installed now TV subscriber base reached 1,285,000 by the end of December 2014, representing a net gain of 48,000 subscribers or an increase of 4% from 12 months ago. More importantly, now TV's exit average revenue per user ("ARPU") continued to increase, rising 4% year-on-year from HK$187 to HK$195 per month.

EBITDA for the year was HK$452 million as compared to HK$508 million a year earlier, reflecting the full-year impact of the costs associated with BPL and investments made for new initiatives including upgraded MOOV platform, expansion of now player and preparation for the free TV business.

In December 2014, the Government granted renewal of the Group's pay-TV license for another 12 years commencing September 2015. Having further consolidated its pay-TV leadership in Hong Kong, the Media business has been actively developing its regional and international content distribution activities and rapidly expanding its OTT offerings in Hong Kong.

Solutions Business

For the year ended December 31, HK$ million	2013 H1	2013 H2	2013 Full Year	2014 H1	2014 H2	2014 Full Year	Better/ (Worse) y-o-y
Solutions Business Revenue	1,393	1,568	**2,961**	1,459	1,911	**3,370**	14%
Solutions Business EBITDA[1]	217	303	**520**	232	390	**622**	20%
Solutions Business EBITDA[1] margin	*16%*	*19%*	***18%***	*16%*	*20%*	***18%***	

Revenue for the Solutions business for the year ended December 31, 2014 increased by 14% to HK$3,370 million from HK$2,961 million a year ago. The growth was achieved through a solid recurring revenue base and strong growth in project based revenue driven by the successful execution of projects. The results for the Solutions business also reflected the full-year consolidation of Compass Solutions Holdings Limited which was acquired in May 2013.

To capitalize on the increasing data center needs from both the corporate and public sectors, a world-class data center in Kwai Chung with a total of gross floor area of 202,000 sq.ft. has been opened in phases since the first half of 2014. As at December 31, 2014, the overall occupancy rate of our data center facilities remained high at 85%.

EBITDA for the year increased by 20% to HK$622 million from HK$520 million a year ago, with the margin maintained at 18%.

As at December 31, 2014, the Solutions business had secured orders with a value of HK$5,693 million.

PCPD

PCPD recorded total revenue of HK$315 million and negative EBITDA of HK$166 million for the year ended December 31, 2014, compared with total revenue of HK$674 million and negative EBITDA of HK$96 million a year earlier. For the year under review, PCPD's consolidated net profit increased to HK$1,491 million, after taking into account a gain after tax of HK$1,390 million on the disposal of its entire interest in Pacific Century Place, Beijing, during the year for a final consideration of US$939 million (approximately HK$7,281 million).

PCPD's development of a Grade A office building in the central business district of Jakarta, Indonesia continued to make encouraging progress and is expected to become fully operational in 2017. The resort projects in Hokkaido, Japan, and Phang-nga, Thailand, also proceeded in accordance with their respective schedules.

For more information about the performance of PCPD, please refer to its 2014 annual results announcement released on February 10, 2015.

Other Businesses

Other Businesses primarily comprised the wireless broadband business in the United Kingdom and corporate support functions. Revenue from Other Businesses was HK$44 million for the year ended December 31, 2014 (2013: HK$58 million), while the cost of the Group's Other Businesses was HK$630 million in 2014 (2013: HK$554 million) partly because of the marketing campaign to launch the wireless broadband service in Central London.

Eliminations

Eliminations for the year ended December 31, 2014 were HK$2,506 million (2013: HK$2,228 million). Eliminations mainly represented eliminations of intra-group sale and transfer of rights to use certain equipment and assets in the ordinary course of business on an arm's length basis.

Costs

Cost of Sales

For the year ended December 31, HK$ million	2013 H1	2013 H2	2013 Full Year	2014 H1	2014 H2	2014 Full Year	Better/ (Worse) y-o-y
The Group (excluding PCPD)	6,073	6,722	**12,795**	6,730	8,340	**15,070**	(18)%
PCPD	270	46	**316**	52	29	**81**	74%
Group Total	6,343	6,768	**13,111**	6,782	8,369	**15,151**	(16)%

The Group’s consolidated total cost of sales for the year ended December 31, 2014 increased by 16% to HK$15,151 million. This comprised an 18% increase in cost of sales for the core business which was in line with the increase in core revenue and lower cost of sales for PCPD.

General and Administrative Expenses

During the year, operating costs before depreciation, amortization, and gain/(loss) on disposal of property, plant and equipment, net, increased by 26% to HK$7,786 million largely due to the CSL acquisition by HKT. Other contributing factors included inflationary pressure on staff costs and rental expenses.

Depreciation and amortization expenses increased by 38% to HK$6,303 million, driven by a 45% increase in depreciation and a 30% increase in amortization expenses due to the continuous investments in capital expenditures and customer acquisition costs for the core businesses.

As a result, general and administrative expenses increased by 31% to HK$14,091 million for the year ended December 31, 2014.

EBITDA[1]

Benefiting from the robust performance of HKT’s business, core EBITDA for the year ended December 31, 2014 increased by 29% to HK$10,506 million representing an improved margin of 32%. Consolidated EBITDA increased by 29% to HK$10,340 million for the year representing an improved margin of 31%.

Interest Income and Finance Costs

Interest income for the year ended December 31, 2014 increased to HK$90 million due to a higher average cash balance during the year. Finance costs increased by 28% to HK$1,418 million which was attributable to the increase in borrowings as a result of the CSL acquisition by HKT. The CSL acquisition was initially financed by a bridge loan which was subsequently refinanced with longer term banking facilities and completion of a rights issue in July 2014.

Income Tax

Income tax expenses for the year ended December 31, 2014 was HK$803 million, as compared to HK$210 million a year ago, representing an effective tax rate of 14.7% for the year. The increase in the tax expenses is mainly due to the provision of overseas tax from the disposition of certain overseas subsidiaries, prior year's recognition of deferred income tax assets resulting from certain loss-making companies turning profitable, and increase in taxable profit due to the acquisition of mobile group companies.

Non-controlling Interests

Non-controlling interests increased by 16% to HK$1,361 million for the year ended December 31, 2014, which primarily represented the net profit attributable to the non-controlling shareholders of HKT and PCPD.

Consolidated Profit Attributable to Equity Holders of the Company

Consolidated profit attributable to equity holders of the Company for the year ended December 31, 2014 increased by 76% to HK$3,310 million (2013: HK$1,885 million).

LIQUIDITY AND CAPITAL RESOURCES

The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholder return and a sound capital position. Adjustments are made, when necessary, to maintain an optimal capital structure in light of changes in economic conditions and to reduce the cost of capital.

The Group's gross debt[2] increased to HK$41,957 million as at December 31, 2014 (December 31, 2013: HK$30,056 million), which was a reflection of the additional borrowings raised for the CSL acquisition. Cash and cash equivalents increased to HK$7,943 million as at December 31, 2014 (December 31, 2013: HK$5,509 million). Net debt[2], therefore, increased to HK$34,014 million as at December 31, 2014 (December 31, 2013: HK$24,537 million). In January 2015, HKT took advantage of the favorable interest rate environment to raise US$300 million by issuing 15-year, zero coupon guaranteed notes for general corporate purposes including debt refinancing, and extended the debt maturity profile to 2030.

As at December 31, 2014, the Group had a total of HK$39,564 million in committed bank loan facilities available for liquidity management, of which HK$11,647 million remained undrawn. Of these committed bank loan facilities, HKT accounted for HK$29,377 million, of which HK$4,230 million remained undrawn.

The Group's gross debt[2] to total assets was 57% as at December 31, 2014 (December 31, 2013: 56%).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at December 31, 2014, Hong Kong Telecommunications (HKT) Limited, an indirect non-wholly owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service ("Moody's") (Baa2) and Standard & Poor's Ratings Services ("S&P's") (BBB). Following the completion of the rights issue by the HKT Trust and HKT Limited and the use of proceeds to reduce debt, Moody's and S&P's revised the rating outlook on Hong Kong Telecommunications (HKT) Limited from negative to stable in July and August 2014 respectively.

CAPITAL EXPENDITURE[3]

Group capital expenditure for the year ended December 31, 2014 was HK$3,222 million (2013: HK$2,607 million), of which HKT accounted for about 78% in 2014 (2013: 78%). Major outlays for the year were mainly in network expansion and enhancement to meet demand for high-speed broadband fiber services, mobile services and international networks, while the remainder was mainly used to expand the data center capacity of the Solutions business and upgrade the broadcasting equipment for the Media business.

The Group will continue to invest in its delivery platform and networks taking into account the prevailing market conditions, and using assessment criteria including internal rate of return, net present value and payback period.

HEDGING

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

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

As for financing, a significant portion of the Group's debt is denominated in United States dollars. Accordingly, the Group has entered into swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at December 31, 2014, all cross currency interest rate swap contracts were designated as cash flow hedges and/or fair value hedges for the Group's foreign currency denominated short-term and long-term borrowings.

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

CHARGE ON ASSETS

As at December 31, 2014, certain assets of the Group with an aggregate carrying value of HK$2,050 million (2013: HK$6,657 million) and performance guarantee of approximately HK$166 million in relation to the construction of office building in Jakarta, Indonesia were pledged to secure loans and bank loan facilities of the Group.

CONTINGENT LIABILITIES

As at December 31, HK$ million	2013	**2014**
Performance guarantees	399	**2,338**
Others	99	**151**
	498	**2,489**

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

HUMAN RESOURCES

After the successful integration of CSL staff in May 2014, the Group had approximately 23,500 employees as at December 31, 2014 (2013: 22,200). About 60% of these employees work in Hong Kong and the others are based mainly in mainland China and the Philippines. The Group has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve the Group’s business performance targets. Payment of bonuses is generally based on achievement of EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 13.21 HK cents (2013: 13.85 HK cents) per ordinary share for the year ended December 31, 2014 to shareholders whose names appear on the register of members of the Company on Thursday, May 14, 2015, subject to the approval of shareholders of the Company at the forthcoming annual general meeting which will be held on Thursday, May 7, 2015 (“AGM”). An interim dividend of 6.99 HK cents (2013: 6.35 HK cents) per ordinary share for the six months ended June 30, 2014 was paid by the Company in October 2014.

The final dividend will be payable in cash with an option to eligible shareholders to participate in a scrip dividend alternative (the “2014 Final Scrip Dividend Scheme”). The 2014 Final Scrip Dividend Scheme is conditional upon (a) shareholders’ approval of the final dividend at the AGM; and (b) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the 2014 Final Scrip Dividend Scheme. Full details of the 2014 Final Scrip Dividend Scheme will be set out in a circular proposed to be despatched to shareholders on or around Thursday, May 21, 2015.

CLOSURE OF REGISTER OF MEMBERS

The record date for the proposed final dividend will be Thursday, May 14, 2015. The Company’s register of members will be closed from Wednesday, May 13, 2015 to Thursday, May 14, 2015 (both days inclusive) in order to determine entitlements to the proposed final dividend. During such period, no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong (the “Share Registrar”), for registration no later than 4:30 p.m. on Tuesday, May 12, 2015. Subject to the approval of shareholders of the Company at the AGM, the final dividend warrants and the share certificates to be issued under the 2014 Final Scrip Dividend Scheme will be despatched to shareholders on or around Friday, June 19, 2015.

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

The record date for determining the entitlement of the shareholders of the Company to attend and vote at the AGM will be Tuesday, May 5, 2015. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Share Registrar for registration no later than 4:30 p.m. on Tuesday, May 5, 2015.

PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION

In order to bring the Company's Articles of Association (the "Articles") in line with the new Companies Ordinance (Chapter 622 of the laws of Hong Kong) which came into effect in March 2014, the Board proposes to adopt a new set of Articles (the "Proposed Adoption").

The Proposed Adoption is subject to the approval of the shareholders of the Company by way of special resolution at the AGM. A circular containing, among other things, the notice of AGM and an explanatory statement on the Proposed Adoption will be despatched to the shareholders as soon as practicable.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2014, 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, 2014.

CORPORATE GOVERNANCE CODE

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

The Company has applied the principles and complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year ended December 31, 2014.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.pccw.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2014 annual report will be despatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, February 11, 2015

AUDITED CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2014

(In HK$ million except for earnings per share)

	Note(s)	2013	**2014**
Turnover	2	27,317	**33,277**
Cost of sales		(13,111)	**(15,151)**
General and administrative expenses		(10,735)	**(14,091)**
Other gains, net	3	685	**2,717**
Interest income		80	**90**
Finance costs		(1,111)	**(1,418)**
Share of results of associates		57	**45**
Share of results of joint ventures		83	**5**
Profit before income tax	2, 4	3,265	**5,474**
Income tax	5	(210)	**(803)**
Profit for the year		3,055	**4,671**
Attributable to:			
Equity holders of the Company		1,885	**3,310**
Non-controlling interests		1,170	**1,361**
Profit for the year		3,055	**4,671**
Earnings per share	7		
Basic		25.98 cents	**45.14 cents**
Diluted		25.95 cents	**45.05 cents**

AUDITED CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION
As at December 31, 2014
(In HK$ million)

		The Group		The Company	
	Note(s)	2013	**2014**	2013	**2014**
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		15,693	**17,337**	–	**–**
Investment properties		8,436	**1,878**	–	**–**
Interests in leasehold land		496	**464**	–	**–**
Properties held for/under development		1,024	**895**	–	**–**
Goodwill		3,469	**17,075**	–	**–**
Intangible assets		3,574	**10,195**	–	**–**
Interests in subsidiaries		–	**–**	12,089	**17,072**
Interests in associates		661	**687**	–	**–**
Interests in joint ventures		582	**497**	–	**–**
Held-to-maturity investments		1	**1**	–	**–**
Available-for-sale financial assets		706	**754**	–	**–**
Derivative financial instruments		67	**–**	–	**–**
Deferred income tax assets		1,078	**1,059**	–	**–**
Other non-current assets		571	**806**	–	**–**
		36,358	**51,648**	12,089	**17,072**
Current assets					
Amounts due from subsidiaries		–	**–**	16,749	**16,484**
Sales proceeds held in stakeholders' accounts		541	**528**	–	**–**
Restricted cash		1,032	**1,022**	–	**–**
Prepayments, deposits and other current assets		5,396	**6,429**	8	**38**
Inventories		1,199	**801**	–	**–**
Amounts due from related companies		89	**95**	–	**–**
Derivative financial instruments		–	**49**	–	**–**
Trade receivables, net	8	3,501	**4,497**	–	**–**
Tax recoverable		302	**27**	–	**–**
Short-term deposits		10	**–**	–	**–**
Cash and cash equivalents		5,509	**7,943**	1,900	**1,093**
		17,579	**21,391**	18,657	**17,615**

AUDITED CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION (CONTINUED)
As at December 31, 2014
(In HK$ million)

		The Group		The Company	
	Note(s)	2013	**2014**	2013	**2014**
Current liabilities					
Short-term borrowings		(1)	**(4,823)**	–	**(946)**
Trade payables	9	(2,118)	**(2,331)**	–	**–**
Accruals and other payables		(4,420)	**(6,787)**	(10)	**(11)**
Amount payable to the Government under the Cyberport Project Agreement		(521)	**(522)**	–	**–**
Carrier licence fee liabilities		(205)	**(429)**	–	**–**
Amounts due to related companies		(126)	**(98)**	–	**–**
Advances from customers		(1,929)	**(2,155)**	–	**–**
Current income tax liabilities		(1,338)	**(1,873)**	–	**–**
		(10,658)	**(19,018)**	(10)	**(957)**
Net current assets		6,921	**2,373**	18,647	**16,658**
Total assets less current liabilities		43,279	**54,021**	30,736	**33,730**
Non-current liabilities					
Long-term borrowings		(29,074)	**(36,494)**	(1,575)	**(1,778)**
Amount due to a subsidiary		–	**–**	(2,010)	**(2,167)**
Derivative financial instruments		(711)	**(217)**	(306)	**(117)**
Deferred income tax liabilities		(2,658)	**(2,501)**	–	**–**
Deferred income		(951)	**(1,033)**	–	**–**
Defined benefit liability		(98)	**(116)**	–	**–**
Carrier licence fee liabilities		(605)	**(949)**	–	**–**
Other long-term liabilities		(549)	**(342)**	–	**–**
		(34,646)	**(41,652)**	(3,891)	**(4,062)**
Net assets		8,633	**12,369**	26,845	**29,668**
CAPITAL AND RESERVES					
Share capital: nominal value	10	1,818	**–**	1,818	**–**
Other statutory capital reserves	10	9,146	**–**	9,146	**–**
Share capital	10	10,964	**11,720**	10,964	**11,720**
Other reserves		(1,777)	**(1,563)**	15,881	**17,948**
Equity attributable to equity holders of the Company		9,187	**10,157**	26,845	**29,668**
Non-controlling interests		(554)	**2,212**	–	**–**
Total equity		8,633	**12,369**	26,845	**29,668**

NOTES

1. BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES

(a) The accounting policies and methods of computation used in preparing the financial information extracted from the audited consolidated financial statements are consistent with those followed in preparing the annual financial statements of PCCW Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended December 31, 2013, 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, 2014. The HKFRSs include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The following new and revised HKFRSs are mandatory for the first time for the financial year beginning January 1, 2014, but had no material effect on the Group's reported results and financial position for the current and prior accounting periods.

- HKAS 27 (2011) (Amendment), 'Separate Financial Statements' – Investment Entities.
- HKAS 32 (Amendment), 'Financial Instruments: Presentation' – Offsetting Financial Assets and Financial Liabilities.
- HKAS 36 (Amendment), 'Impairment of Assets' – Recoverable Amount Disclosures for Non-Financial Assets.
- HKAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' – Novation of Derivatives and Continuation of Hedging Accounting.
- HKFRS 10 (Amendment), 'Consolidated Financial Statements' – Investment Entities.
- HKFRS 12 (Amendment), 'Disclosure of Interests in Other Entities' – Investment Entities.
- HK(IFRIC) – Int 21, 'Levies'.

The Group has not adopted any new or revised HKFRSs that are not yet effective for the current accounting period. In addition, the new Hong Kong Companies Ordinance (Cap. 622) abolished the concept of "par value" or "nominal value" of shares and "authorized share capital" for all Hong Kong incorporated companies with effect from March 3, 2014 and this change has reflected in note 10.

(b) Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Key accounting judgements and sources of estimation uncertainty are discussed below:

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

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

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

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

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

The sources utilized to identify indications of impairment are often subjective in nature and the Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at the end of any given reporting period. 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 assessments utilizing internal resources or the Group may engage external advisors to counsel the Group. Regardless of the resources utilized, the Group is required to make many assumptions to make these assessments, including the utilization of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

For the year ended December 31, 2014, provision for impairment of HK$84 million was recognized on the property held for development resulting in carrying amount being written down to its recoverable amount of approximately HK$566 million.

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.

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. 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.

v. 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.

vi. Recognition of intangible asset – Carrier licences

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

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

vii. Estimated valuation of investment properties

The best evidence of fair value is current prices in an active market for similar leases and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair values estimates. In making its estimates, the Group considers both (i) information from the valuations of investment properties performed by external professional valuers on a market value basis and (ii) other principal assumptions, including the current and expected market yield, market price, market rent and the outstanding development costs in view of the current usage and condition of the investment properties to determine the fair value of the investment properties. Had the Group used different market yields, market prices, market rents or other assumptions, the fair value of the investment properties would be different and thus caused impact to the consolidated income statement. As at December 31, 2014, the fair value of the investment properties was HK$1,878 million.

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

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

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

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

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

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

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

The Group has considered that All's Well Media Company Limited ("AWL") is controlled by the Group, even though the Group holds less than 50% equity interest of AWL.

The Group has a 35.02% equity interest in AWL. This company is consolidated by the Group as the Group has sufficient dominant voting interest and power to direct the key financing and operating decisions of AWL.

x. Classification of joint arrangements

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

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

xi. Purchase consideration for a plot of land in Indonesia

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

Management expected that the seller of the land will be able to fulfill the conditions as set out in the Land SPA and the deductions from the outstanding consideration is unlikely, as such the total consideration of US$184 million is recorded as the cost of the land and the outstanding consideration to be paid is recorded as payables as at December 31, 2014.

In case there is any downward adjustment from the consideration to be paid for the land acquisition, it would affect the payable to the seller recorded in the statement of financial position as at December 31, 2014.

xii. Cost of sales and amount payable to the Government under the Cyberport Project Agreement

Pursuant to the agreement dated May 17, 2000 entered into with the Government of Hong Kong (the "Government") (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 estimated cost of developing the Cyberport project, including construction costs and the amounts paid and payable to the Government is allocated to the cost of properties sold on a systematic basis over the life of the project using a relative value approach. This approach considers the value of development costs attributable to phases for which revenue has been recognized to date relative to the total expected value of development costs for the development as a whole. Had the estimates of these relative values been revised, this would have affected the costs of properties sold recorded in the income statement.

2. SEGMENT INFORMATION

The chief operating decision-maker (the "CODM") is the Group's senior executive management. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources and the segment information is reported below in accordance with this internal reporting.

The CODM considers the business primarily from the product perspective. From a product perspective, management assesses the performance of the following segments:

- HKT Limited ("HKT") is Hong Kong's premier telecommunications service provider. The principal activities of HKT and its subsidiaries are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, customer premises equipment sale, outsourcing, consulting and contact centers. It operates primarily in Hong Kong, and also serves customers in mainland China and other parts of the world.

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

- Solutions Business offers Information and Communications Technologies services and solutions in Hong Kong, Macau and mainland China.

- PCPD covers the Group's property portfolio in Hong Kong, mainland China and elsewhere in Asia.

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

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

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

2. SEGMENT INFORMATION (CONTINUED)

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

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

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

For the year ended December 31, 2014
(In HK$ million)

	HKT	**Media Business**	**Solutions Business**	**Other Businesses**	**PCPD**	**Eliminations**	**Consolidated**
REVENUE							
Total Revenue	**28,823**	**3,231**	**3,370**	**44**	**315**	**(2,506)**	**33,277**
RESULTS							
EBITDA	**10,242**	**452**	**622**	**(630)**	**(166)**	**(180)**	**10,340**

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

In HK$ million	2013	**2014**
Total segment EBITDA	8,033	**10,340**
Gain/(Loss) on disposal of property, plant and equipment, net	9	**(2)**
Depreciation and amortization	(4,571)	**(6,303)**
Other gains, net	685	**2,717**
Interest income	80	**90**
Finance costs	(1,111)	**(1,418)**
Share of results of associates and joint ventures	140	**50**
Profit before income tax	3,265	**5,474**

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	2013	**2014**
Hong Kong (place of domicile)	20,304	**25,796**
Mainland China (excluding Hong Kong), Macau and Taiwan, China	2,116	**2,222**
Others	4,897	**5,259**
	27,317	**33,277**

3. OTHER GAINS, NET

In HK$ million	2013	**2014**
Gain on disposal of subsidiaries	–	**2,112**
Fair value gains on investment properties	631	**656**
Net gains on cash flow hedging instruments transferred from equity	9	**2**
Net gains on fair value hedging instruments	42	**47**
Net gains from return of investment in available-for-sale financial assets	64	**33**
Net realized gains on disposal of available-for-sale financial assets	–	**1**
Recovery of impairment loss on an interest in a joint venture	22	**–**
Provision for impairment of available-for-sale financial assets and an interest in an associate	(78)	**(64)**
Provision for impairment of property held for development	–	**(84)**
Others	(5)	**14**
	685	**2,717**

4. PROFIT BEFORE INCOME TAX

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

In HK$ million	2013	**2014**
Crediting:		
Revenue from properties sold	283	**–**
Gain on disposal of property, plant and equipment, net	9	**–**
Charging:		
Cost of inventories sold	1,939	**3,187**
Cost of properties sold	223	**–**
Cost of sales, excluding inventories and properties sold	10,949	**11,964**
Depreciation of property, plant and equipment	2,347	**3,408**
Amortization of intangible assets	2,200	**2,873**
Amortization of land lease premium	24	**22**
Loss on disposal of property, plant and equipment, net	–	**2**
Interest on borrowings	1,018	**1,283**
Staff costs	2,735	**3,113**

5. INCOME TAX

In HK$ million	2013	**2014**
Hong Kong profits tax	242	**(60)**
Overseas tax	50	**742**
Movement of deferred income tax	(82)	**121**
	210	**803**

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 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	2013	**2014**
Interim dividend declared and paid in respect of current year of 6.99 HK cents (2013: 6.35 HK cents) per ordinary share	462	**517**
Less: dividend for shares held by share award schemes	(2)	**(2)**
	460	**515**
Final dividend declared in respect of previous financial year, approved and paid during the year of 13.85 HK cents (2013: 13.55 HK cents) per ordinary share	985	**1,009**
Less: dividend for shares held by share award schemes	(4)	**(3)**
	981	**1,006**
	1,441	**1,521**
Final dividend proposed after the end of the reporting period of 13.21 HK cents (2013: 13.85 HK cents) per ordinary share	1,007	**985**

a. The final dividend proposed after the end of the reporting period has not been recognized as a liability as at the end of the reporting period.

b. The 2014 final dividend will be payable in cash with a scrip dividend alternative subject to (i) shareholders' approval of the final dividend at the annual general meeting; and (ii) The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued.

c. For details of share capital issued in lieu of cash dividends, please refer to note 10(c).

7. EARNINGS PER SHARE

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

	2013	**2014**
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per share	1,885	**3,310**
Number of shares		
Weighted average number of ordinary shares	7,272,294,654	**7,353,412,940**
Effect of shares held under the Company's share award schemes	(16,759,217)	**(20,355,930)**
Weighted average number of ordinary shares for the purpose of basic earnings per share	7,255,535,437	**7,333,057,010**
Effect of shares awarded under the Company's share award schemes	9,811,488	**13,894,498**
Weighted average number of ordinary shares for the purpose of diluted earnings per share	7,265,346,925	**7,346,951,508**

8. TRADE RECEIVABLES, NET

The aging of trade receivables is set out below:

In HK$ million	2013	**2014**
0 – 30 days	1,784	**2,479**
31 – 60 days	555	**640**
61 – 90 days	270	**289**
91 – 120 days	129	**190**
Over 120 days	987	**1,133**
	3,725	**4,731**
Less: Impairment loss for doubtful debts	(224)	**(234)**
	3,501	**4,497**

Included in trade receivables, net were amounts due from related parties of HK$76 million (2013: HK$155 million).

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

9. TRADE PAYABLES

The aging of trade payables is set out below:

In HK$ million	2013	**2014**
0 – 30 days	1,033	**1,180**
31 – 60 days	172	**148**
61 – 90 days	99	**40**
91 – 120 days	25	**59**
Over 120 days	789	**904**
	2,118	**2,331**

Included in trade payables were amounts due to related parties of HK$22 million (2013: HK$36 million).

10. SHARE CAPITAL

	As at December 31, 2013 Number of shares	As at December 31, 2013 HK$ million	**As at December 31, 2014 Number of shares**	**As at December 31, 2014 HK$ million**
Authorized: *(note a)*				
Ordinary shares (2013: HK$0.25 each) *(note b)*	10,000,000,000	2,500	**–**	**–**

	Year ended December 31, 2013 Number of shares	2013 Share capital HK$ million	**2014 Number of shares**	**2014 Share capital HK$ million**
Issued and fully paid:				
As at January 1	7,272,294,654	1,818	**7,272,294,654**	**1,818**
Shares issued in lieu of cash dividends *(note c)*	–	–	**170,883,007**	**756**
Shares issued for share award scheme *(note d)*	–	–	**10,000,000**	**–**
Transfer from share premium account and capital redemption reserve account upon transition to no-par value regime on March 3, 2014 *(note e)*	–	–	**–**	**9,146**
As at December 31	7,272,294,654	1,818	**7,453,177,661**	**11,720**

10. SHARE CAPITAL (CONTINUED)

a. Under the new Hong Kong Companies Ordinance (Cap. 622) which came into effect on March 3, 2014, the concept of authorized share capital no longer exists.

b. In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from March 3, 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

c. During the year ended December 31, 2014, the Company issued and allotted 114,240,694 and 56,642,313 new fully paid shares (2013: nil) at an average price of HK$4.148 and HK$4.988 per share respectively to the shareholders who elected to receive shares in lieu of cash for 2013 final dividend and 2014 interim dividend pursuant to the respective scrip dividend schemes.

d. During the year ended December 31, 2014, the Company issued and allotted 10,000,000 new fully paid shares (2013: nil) at HK$0.01 per share pursuant to the share award scheme.

e. In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), on March 3, 2014, any amount standing to the credit of the share premium account and the capital redemption reserve account has become part of the Company's share capital.

11. DISPOSAL OF INTERESTS IN SUBSIDIARIES

a. Disposal of Gain Score Limited and its subsidiaries (together the "Gain Score Group")
On April 8, 2014, the PCPD Group entered into a sale and purchase agreement ("SPA") pursuant to which the PCPD Group has agreed to sell the entire issued share capital of Gain Score Limited, an indirect non-wholly owned subsidiary of the Company, and to assign a shareholder loan which was made by the PCPD Group to Gain Score Limited to an independent third party for an initial aggregated consideration of US$928 million (equivalent to approximately HK$7,201 million), subject to adjustments in accordance with the SPA. The principal assets of the Gain Score Group are the land use rights and property rights in the investment property known as "Pacific Century Place, Beijing" located in mainland China.

The transaction was completed in August 2014, and the final consideration received was US$939 million (equivalent to approximately HK$7,281 million) after adjustments in accordance with the SPA.

11. DISPOSAL OF INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of net assets disposed of and the gain on disposal of interests in the Gain Score Group at the date of disposal were as follows:

In HK$ million	**Net assets disposed of and the gain on disposal**
Consideration settled by cash, net of direct expenses	**7,058**
Assignment of shareholder loan	**(1,983)**
Less: Carrying amount of net assets disposed of	**(4,263)**
Exchange gain on translating foreign operations transferred to consolidated income statement upon disposal	**1,245**
Gain on disposal recognized in the consolidated income statement	**2,057**

The assets and liabilities of the Gain Score Group at the date of disposal were as follows:

In HK$ million	**Carrying amount**
Property, plant and equipment	**62**
Investment property	**7,182**
Interests in leasehold land	**10**
Intangible asset	**31**
Restricted cash	**5**
Prepayments, deposits and other current assets	**11**
Trade receivables, net	**4**
Cash and cash equivalents	**208**
Shareholder loan	**(1,983)**
Accruals, other payables and deferred income	**(97)**
Current income tax liabilities	**(4)**
Deferred income tax liabilities	**(1,166)**
Net assets disposed of	**4,263**

In HK$ million	**Net cash inflow**
Consideration settled by cash, net of direct expenses	**7,058**
Less: Cash and cash equivalents of the Gain Score Group disposed of	**(208)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**6,850**

11. DISPOSAL OF INTERESTS IN SUBSIDIARIES (CONTINUED)

b. Disposal of Unihub China Information Technology Company Limited

On October 14, 2014, the Group entered into a sale and purchase agreement pursuant to which the Group has agreed to sell its entire equity interests in Unihub China Information Technology Company Limited, an indirect non-wholly owned subsidiary of the Company, to an independent third party for an aggregated consideration of RMB180 million (equivalent to approximately HK$225 million).

The transaction was completed in December 2014, and resulted in the recognition of a gain on disposal of HK$55 million.

12. SUBSEQUENT EVENT

In January 2015, HKT Capital No. 1 Limited, an indirect non-wholly owned subsidiary of the Company, issued US$300 million (approximately HK$2,328 million) 15-year zero coupon guaranteed notes due 2030 which are listed on the GreTai Securities Market in Taiwan, China for general corporate purposes including the repayment of existing indebtedness. The notes are irrevocably and unconditionally guaranteed by HKT Group Holdings Limited ("HKTGH") and Hong Kong Telecommunications (HKT) Limited ("HKTL") and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

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

Executive Directors
Li Tzar Kai, Richard (Chairman); Srinivas Bangalore Gangaiah (aka BG Srinivas) (Group Managing Director); Hui Hon Hing, Susanna (Group Chief Financial Officer) and Lee Chi Hong, Robert

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

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

Forward-Looking Statements

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