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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

The directors (“Directors”) of PCCW Limited (“PCCW” or the “Company”) hereby announce the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended December 31, 2020.

- Consolidated revenue increased by 1% to HK\$38,046 million
- Consolidated revenue, excluding Mobile product sales, up 4% to HK\$35,437 million
 - HKT total revenue, excluding Mobile product sales, was stable at HK\$29,780 million⁶
 - Now TV revenue down 6% to HK\$2,512 million⁷
 - OTT revenue up 11% to HK\$1,187 million, underpinned by 20% growth in video revenue
 - Free TV & related business revenue up 22% to HK\$317 million
 - Solutions business revenue up 12% to HK\$4,736 million
 - PCPD revenue up 82% to HK\$1,843 million
- Consolidated EBITDA decreased by 3% to HK\$11,978 million due to decline in roaming and Solutions business EBITDA in the midst of the pandemic, which was partially offset by steady performance of Now TV and improved results at OTT and Free TV businesses
- Consolidated loss attributable to equity holders of the Company for the year was HK\$1,020 million, partly due to one-time non-cash accounting items including an impairment provision at PCPD, fair value movement on certain other non-core investments as well as write-off of end-of-life IT platforms
- Final cash dividend of 23 HK cents per ordinary share resulting in full-year cash dividend of 32.18 HK cents per ordinary share

MANAGEMENT REVIEW

PCCW recorded a steady performance for the year ended December 31, 2020, even as the COVID-19 pandemic persisted throughout the year and severely disrupted normal economic activity and life around the world. The results attest to the ability of our core businesses to adapt quickly to the challenging operating environment and continue to deliver trusted services to our customers in Hong Kong and international markets.

HKT Limited's ("HKT") Mobile product sales suffered from a mix of weak consumer confidence and the continuing trend of a longer handset upgrade cycle. Yet, HKT's total revenue excluding Mobile product sales for the year ended December 31, 2020 still registered a slight growth to HK\$29,780 million⁶. The growth was attributed to a significant surge in demand for data and broadband services coupled with an encouraging take-up of our 5G services albeit partially offset by the decline in roaming revenue arising from the travel restrictions in place throughout the year.

Revenue at Now TV decreased by 6% to HK\$2,512 million⁷ due to live sport event suspension and reduced commercial activities. However, EBITDA held stable at HK\$454 million⁷ driven by content cost streamlining and stringent operating expenses control. Despite the challenging environment, both the Free TV and over-the-top ("OTT") businesses maintained their growth momentum with revenue expanding 22% and 11% respectively in tandem with viewership increases as more people consumed their entertainment at home and online. The OTT business in particular experienced strong growth in its video segment which grew by 20%. Free TV and OTT were able to further narrow their EBITDA losses by 40% and 51% respectively in 2020 as a result of the expanded revenue and disciplined spending.

Solutions business revenue rose by 12% to HK\$4,736 million driven by expansion of its data center business, solid project delivery in Hong Kong and business expansion in Southeast Asia. Although lockdowns around the region led to project delays which in turn resulted in a drop in EBITDA to HK\$794 million for the year ended December 31, 2020, the Solutions business was successful in significantly growing its secured orders to HK\$25,226 million which will generate future growth.

Pacific Century Premium Developments Limited ("PCPD") revenue grew to HK\$1,843 million mainly attributed to the completion and handover of the Park Hyatt Niseko Hanazono Residences ("Branded Residences"). Global travel restrictions affected the business, particularly the hotel operations in Japan, but PCPD still achieved a positive EBITDA of HK\$28 million during the year.

On a consolidated basis, revenue excluding Mobile product sales climbed 4% to HK\$35,437 million but total EBITDA eased 3% to HK\$11,978 million.

A consolidated loss attributable to equity holders of the Company for the year of HK\$1,020 million arose largely due to higher amortization expenses arising from ongoing investments by the Free TV and OTT businesses in content production and by the Solutions business in developing proprietary solutions, an impairment provision at PCPD's Park Hyatt Niseko, Hanazono, fair value movement on certain other non-core investments as well as write-off of end-of-life IT platforms.

OUTLOOK

In the new year, it remains a priority for us to implement precautionary measures to protect our employees and ensure business continuity, as we did throughout the past year.

Our leading regional video streaming service Viu will continue to push the boundaries by exploring fresh genres and formats and in producing high quality and locally relevant entertainment content. Through these efforts, we hope to continually capture the accelerated adoption of online media consumption and change in viewing habits to increase our service penetration as well as engagement in all of our markets.

PCCW Solutions aims to extend its lead in Hong Kong as it sets out to further enlarge its footprint in Southeast Asia following the expansion of its IT capabilities and data centers in the region. Its business pipeline generates a steady stream of recurring revenue.

HKT will keep pursuing both B2C (business-to-consumer) and B2B (business-to-business) opportunities to monetize 5G, as well as ramping up efforts to grow its digital businesses. Following the integration of Now TV, HKT will benefit from enhanced cross-selling of fiber broadband, mobile and media entertainment services, in addition to improved operational efficiencies.

The economic outlook in 2021 for Hong Kong and indeed the world is clouded by the pandemic and external factors including persistent tensions between China and the US. With our established local leadership and strong regional presence, PCCW is determined to continue deploying technology, creativity and innovation to support customer needs under the new normal and in the post-pandemic recovery. While we will diligently apply cost controls to rein in spending, as always PCCW will remain on the lookout for suitable growth opportunities to complement our existing revenue streams in the medium to longer term, and create greater shareholder value.

FINANCIAL REVIEW BY SEGMENT

For the year ended December 31, HK\$ million	2019			2020			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
Revenue							
HKT ⁶	15,109	17,994	33,103	14,606	17,783	32,389	(2)%
HKT (excluding Mobile Product Sales)	13,768	15,935	29,703	13,636	16,144	29,780	0%
Mobile Product Sales	1,341	2,059	3,400	970	1,639	2,609	(23)%
Now TV Business	1,358	1,327	2,685	1,270	595	1,865	(31)%
OTT Business	441	630	1,071	502	685	1,187	11%
Free TV & Related Business	127	132	259	130	187	317	22%
Solutions Business	1,717	2,501	4,218	1,907	2,829	4,736	12%
Eliminations	(2,100)	(2,730)	(4,830)	(1,736)	(2,555)	(4,291)	(11)%
Core revenue⁵	16,652	19,854	36,506	16,679	19,524	36,203	(1)%
PCPD	207	808	1,015	1,602	241	1,843	82%
Consolidated revenue	16,859	20,662	37,521	18,281	19,765	38,046	1%
Cost of sales	(8,149)	(10,758)	(18,907)	(9,689)	(10,807)	(20,496)	(8)%
Operating costs before depreciation, amortization, and loss on disposal of property, plant and equipment, net	(3,423)	(2,810)	(6,233)	(3,176)	(2,396)	(5,572)	11%
EBITDA¹							
HKT ⁶	5,733	7,084	12,817	5,546	6,981	12,527	(2)%
Now TV Business	204	250	454	198	82	280	(38)%
OTT Business	(235)	(79)	(314)	(81)	(72)	(153)	51%
Free TV & Related Business	(143)	(130)	(273)	(95)	(70)	(165)	40%
Solutions Business	293	721	1,014	225	569	794	(22)%
Other Businesses	(233)	(276)	(509)	(248)	(212)	(460)	10%
Eliminations	(312)	(538)	(850)	(149)	(724)	(873)	(3)%
Core EBITDA^{1,5}	5,307	7,032	12,339	5,396	6,554	11,950	(3)%
PCPD	(20)	62	42	20	8	28	(33)%
Consolidated EBITDA¹	5,287	7,094	12,381	5,416	6,562	11,978	(3)%
Core EBITDA^{1,5} Margin	32%	35%	34%	32%	34%	33%	
Consolidated EBITDA¹ Margin	31%	34%	33%	30%	33%	31%	
Depreciation	(1,604)	(1,761)	(3,365)	(1,772)	(1,757)	(3,529)	(5)%
Amortization	(1,710)	(2,147)	(3,857)	(1,953)	(2,401)	(4,354)	(13)%
Loss on disposal of property, plant and equipment, net	(2)	(5)	(7)	-	(1)	(1)	86%
Other gains/(losses), net	426	72	498	(61)	(731)	(792)	n/a
Interest income	40	46	86	35	15	50	(42)%
Finance costs	(925)	(1,033)	(1,958)	(998)	(921)	(1,919)	2%
Share of results of associates and joint ventures	10	23	33	(19)	(6)	(25)	n/a
Profit before income tax	1,522	2,289	3,811	648	760	1,408	(63)%
Income tax	(423)	(518)	(941)	(394)	(365)	(759)	19%
Non-controlling interests	(936)	(1,253)	(2,189)	(838)	(831)	(1,669)	24%
Profit/(Loss) attributable to equity holders of the Company							
Consolidated	163	518	681	(584)	(436)	(1,020)	n/a

- Note 1 EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortization, gain/loss on disposal of property, plant and equipment, investment properties, interests in leasehold land, right-of-use assets 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 ("HKFRSs") 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.*
- Note 3 Group capital expenditure includes additions to property, plant and equipment and interests in leasehold land.*
- Note 4 Adjusted funds flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. HKT's adjusted funds flow is computed in accordance with the above definition using financial information derived from HKT's audited consolidated financial statements. The adjusted funds flow may be used for debt repayment.*
- Note 5 Core revenue refers to consolidated revenue excluding PCPD, the Group's property development and investment business; and core EBITDA refers to the consolidated EBITDA excluding PCPD.*
- Note 6 Includes Now TV's 2020 fourth quarter financials which formed part of the HKT business upon completion of transfer of Now TV business to HKT on September 30, 2020.*
- Note 7 Represents Now TV's full year financials.*

HKT⁶

For the year ended December 31, HK\$ million	2019			2020			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
HKT Revenue	15,109	17,994	33,103	14,606	17,783	32,389	(2)%
HKT Revenue (excluding Mobile Product Sales)	13,768	15,935	29,703	13,636	16,144	29,780	0%
Mobile Product Sales	1,341	2,059	3,400	970	1,639	2,609	(23)%
HKT EBITDA¹	5,733	7,084	12,817	5,546	6,981	12,527	(2)%
<i>HKT EBITDA¹ margin</i>	38%	39%	39%	38%	39%	39%	
HKT Adjusted Funds Flow⁴	2,272	3,057	5,329	2,280	3,104	5,384	1%

HKT delivered a resilient set of financial results for the year ended December 31, 2020 underpinned by the scale and breadth of our Telecommunications Services (“TSS”) segment. While COVID-19 shook the global economy and deepened Hong Kong’s recession, HKT remained focused on its customers by offering innovative value-added services and a personalized experience on multiple fronts that helped to deepen customer engagement. Incorporating Now TV in the fourth quarter of 2020 has since made HKT the only true quadruple-play services provider in Hong Kong with offerings that cut across product and service lines and utilize common assets.

During the year, international travel was severely curtailed, causing HKT’s mobile roaming revenue to drop precipitously and delaying many of its information and communications technology (“ICT”) projects in the private and public sectors. These project delays coupled with poor market sentiment also depressed business equipment sales. HKT’s retail stores saw less foot traffic due to the social distancing measures implemented in Hong Kong throughout 2020, which in turn dampened Mobile product sales.

While the Mobile segment was lackluster, the TSS segment put up a solid performance. TSS revenue increased by 2% to HK\$22,357 million, as more people stayed home and sought reliable, high-speed home broadband services to accommodate their work, study and entertainment needs. The pandemic has also forced many businesses no matter big or small, especially those in retail, travel and hospitality, to downsize or even shut down. To counter this impact, HKT took steps to improve operational efficiencies including digitizing business processes and optimizing online-to-offline sales channels and exercised stringent cost control throughout the year in discretionary areas such as publicity and promotions as well as travel and entertainment, resulting in a 1% increase in EBITDA to HK\$8,412 million.

Mobile services revenue fell by 8% to HK\$7,757 million, primarily due to the sharp decline in mobile roaming. However, the core local revenue held steady, benefitting from the uplift in the average revenue per user (“ARPU”) from upgrades to 5G services which offset the revenue pressures from the stiff price competition in the low-end segment of the market. Subdued consumer confidence put downward pressure on Mobile product sales, which fell to HK\$2,609 million. EBITDA from the Mobile segment declined by 6% to HK\$4,747 million, with the overall margin increasing to 46%.

Consequently, total EBITDA for the year came to HK\$12,527 million, down 2% over the previous year.

HKT⁶ (CONTINUED)

As a result of savings in finance costs, lower tax expense and one-time other gains, profit attributable to holders of the share stapled units of the HKT Trust and HKT (“Share Stapled Units”) was HK\$5,303 million, up 2% from a year ago. Basic earnings per Share Stapled Unit was 70.01 HK cents.

Adjusted funds flow for the year ended December 31, 2020 increased by 1% to HK\$5,384 million due to savings in rental payments and more prudent capex investments. Annual adjusted funds flow per Share Stapled Unit was 71.07 HK cents.

HKT recommended the payment of a final distribution of 40.97 HK cents per Share Stapled Unit for the year ended December 31, 2020. This brings the 2020 full-year distribution to 71.07 HK cents per Share Stapled Unit (comprising 30.10 HK cents as interim distribution and 40.97 HK cents as final distribution) representing the full payout of the annual adjusted funds flow per Share Stapled Unit.

For a more detailed review of the performance of HKT, including detailed reconciliation between HKT’s EBITDA and adjusted funds flow as well as HKT’s EBITDA and HKT’s profit before income tax, please refer to its 2020 annual results announcement released on February 4, 2021.

Now TV Business⁷

For the year ended December 31, HK\$ million	2019			2020			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
Now TV Business Revenue	1,358	1,327	2,685	1,270	1,242	2,512	(6)%
Now TV Business EBITDA ¹	204	250	454	198	256	454	0%
Now TV Business EBITDA ¹ margin	15%	19%	17%	16%	21%	18%	

The Now TV business was adversely affected by the prolonged, pandemic-induced disruption of sporting events across the globe in 2020. Additionally, demand from the food and beverage segment weakened as the anti-epidemic restrictions persisted. This weakness was nevertheless partially offset by new subscriptions from hotels and offices, growth in the revenue of Now E - a subscription OTT service that targets digital natives and the mobile population, as well as increases in advertising revenue especially during the final quarter. As a result, revenue for the Now TV business for the year ended December 31, 2020 decreased by 6% to HK\$2,512 million compared to HK\$2,685 million in 2019. Nevertheless, the Now TV installed base was stable at 1,348,000 and churn rate improved to 0.8%.

EBITDA for the year ended December 31, 2020 was stable at HK\$454 million, with the margin improving to 18% following Now TV’s continued efforts to streamline content costs and control spending particularly on publicity and promotions.

Now TV Business⁷ (CONTINUED)

With the return of live sport programming, especially the exclusive broadcast of the upcoming UEFA EURO 2020™, business momentum is expected to improve in 2021. Aside from sports, Now TV has lined up a suite of self-curated content catering specifically to Hong Kong viewers. Now True was newly launched toward the end of 2020 to complement the already unbeatable content slate. Now TV recently made its user interface even more friendly by adding support for up to five users within a single Now TV account, where each user will receive personalized recommendations. The personalized home screen can even be synchronized from the TV to the Now Player app, creating a seamless user experience. Subscriptions are now eligible for Clubpoints, where each account offers concurrent access for up to three household members. These enhancements should further boost our subscription. Now E will also contribute to driving the momentum of the Now TV business. Furthermore, the tightened collaboration of Now TV with the telecom businesses after its integration with HKT, which has so far led to new offerings bundling of our media entertainment, mobile and broadband services, is expected to benefit the Group as a whole in the near future.

OTT Business

For the year ended December 31, HK\$ million	2019			2020			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
OTT Business Revenue	441	630	1,071	502	685	1,187	11%
OTT Business EBITDA ¹	(235)	(79)	(314)	(81)	(72)	(153)	51%

Revenue for the OTT business grew by 11% to HK\$1,187 million from HK\$1,071 million a year ago driven by 20% growth in video streaming revenues, particularly from the premium Viu service, which itself grew by 30%. Of note, Viu's subscription revenue jumped by 62% as premium content was strategically moved behind the paywall. Viu's growth was largely from the Greater Southeast Asia region which was the largest revenue contributor and recorded impressive growth of 63% with strong performances in Thailand and Indonesia. However, our music streaming business was heavily disrupted by the suspension of live music events in pandemic-hit 2020.

The Viu service had a highly engaged user base of 45.0 million monthly active users ("MAUs") and 5.3 million paid subscribers as of December 31, 2020, representing growth rates of 29% and 47% respectively. Viu is available in 16 countries across Greater Southeast Asia, the Middle East and South Africa.

The strong growth in Viu MAUs and increased engagement were supported by our appealing Asian content and award-winning Viu Originals. Our Viu Originals were highly recognized by the industry and differentiated the service from other streaming platforms. Viu Originals titles such as *Pretty Little Liars* and *My Bubble Tea* won multiple awards and recorded strong viewership. Looking into the future, Viu will scale up original production curated to viewers' preferences which will be better understood through data analytics.

As a result of the enlarged revenue base, the EBITDA loss of the OTT business demonstrated further improvement to HK\$153 million for the year ended December 31, 2020 versus HK\$314 million a year ago.

Free TV & Related Business

For the year ended December 31, HK\$ million	2019			2020			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
Free TV & Related Business Revenue	127	132	259	130	187	317	22%
Free TV & Related Business EBITDA¹	(143)	(130)	(273)	(95)	(70)	(165)	40%

Despite the weak economy and a market-wide decline in advertising spending during the pandemic, ViuTV registered a 29% growth in advertising revenue to HK\$271 million driven by increasing viewership of both our linear channels and digital platform. In particular, the talent show King Maker has become our flagship program, attracting multiple advertising clients and sponsors. Additionally, boy groups MIRROR and ERROR, who came to the public's attention through the King Maker series, continued to gain popularity and helped our artiste management business. Overall revenue was slightly affected by lower co-production revenue and grew 22% to HK\$317 million, as compared to HK\$259 million a year ago.

Owing to the expanded advertising revenue and stringent cost control measures implemented, EBITDA loss for the year ended December 31, 2020 ameliorated to HK\$165 million, representing a significant improvement over 2019.

ViuTV will continue to produce innovative and popular entertainment shows to extend our viewership growth, as well as exploring non-advertising business opportunities.

Solutions Business

For the year ended December 31, HK\$ million	2019			2020			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
Solutions Business Revenue	1,717	2,501	4,218	1,907	2,829	4,736	12%
Solutions Business EBITDA¹	293	721	1,014	225	569	794	(22)%
<i>Solutions Business EBITDA¹ margin</i>	<i>17%</i>	<i>29%</i>	<i>24%</i>	<i>12%</i>	<i>20%</i>	<i>17%</i>	

Revenue for the Solutions business climbed 12% to HK\$4,736 million for the year ended December 31, 2020 primarily driven by the strong demand for data center services, our solid project delivery in Hong Kong and our business expansion in the Southeast Asia region. During the year, riding the wave of demand for data capacity, we signed new contracts as well as secured extensions and renewals for many of our hyper-scale cloud customers.

During the year the Hong Kong Government imposed various social distancing measures and temporarily suspended the operation of public services to combat COVID-19. As a result, many of the public services were moved online. The Solutions business has been entrusted to develop, operate and manage some of the most critical public service platforms such as those used by the Treasury and eTAX for taxpayers, minimizing disruptions and ensuring “business as usual” for Hong Kong residents.

Our business in Southeast Asia is gaining scale with revenue from outside of Hong Kong increasing sizably compared to 2019 and growing into a significant portion of the total Solutions revenue. We remained the partner of choice especially in the public sector, securing contracts with various Singapore government agencies for the provisioning of long-term managed services. The majority of these projects are recurring in nature, and as such, revenue of such nature for the year ended December 31, 2020 represented a healthy 68% of total Solutions business revenue.

Affected by the lockdowns in the countries in which Solutions operates, the Solutions business staff were underutilized which led to project delays and cost over-runs resulting in compressed margins. As a result, Solutions business EBITDA shrank by 22% to HK\$794 million for the year ended December 31, 2020.

However, the outlook for the Solutions business is promising with strong growth in secured orders, which increased by 172% to HK\$25,226 million as at December 31, 2020. The growth was primarily driven by contract wins from the public sector in Hong Kong and Singapore as well as significant wins from customers across the telecommunications sector.

The Solutions business will continue to build on its momentum in Southeast Asia by taking advantage of its solid track record of reliably delivering large-scale projects. In Hong Kong, we will continue to address the growing demand from data center customers. While phase one of our new data center in Fo Tan was fully committed, phase two is on track to be completed by the end of 2021. We have also confirmed a new data center location in Tsuen Wan West, which is targeted for completion in 2022.

PCPD

PCPD recorded total revenue of HK\$1,843 million for the year ended December 31, 2020, representing an increase of 82% from HK\$1,015 million for the year 2019. The growth was mainly due to sales of Branded Residences in Hokkaido, Japan with the majority of units handed over in early 2020.

PCPD's hospitality and resort businesses in Niseko, Hokkaido have been affected by various travel restrictions and social distancing measures put in place in response to the COVID-19 pandemic. The Park Hyatt Niseko, Hanazono has suspended part of its food and beverage facilities and recreational services since last April to prevent the spread of the virus and save costs. Whilst the hotel has sought to focus on the domestic market and travellers, the COVID-19 situation in Japan remains unstable.

In Jakarta, Indonesia, PCPD's premium commercial building, Pacific Century Place, Jakarta, maintained stable occupancy during the year. At the end of December 31, 2020, 81% of the office space was occupied.

In Phang Nga, Thailand, the construction of the golf and country club house has been completed and the construction of an 18-hole golf course has been substantially completed. Depending on the COVID-19 pandemic situation, the golf course and golf club are expected to commence operations in mid-2021. PCPD commenced sales of the first batch of villas in 2019. Further sales and marketing activities are planned in 2021.

PCPD is currently planning for the redevelopment of the Nos. 3-6 Glenealy, Central, Hong Kong site into a luxury residential development in the heart of Central, Hong Kong.

For more information about the performance of PCPD, please refer to its 2020 annual results announcement released on February 3, 2021.

Other Businesses

Other Businesses primarily comprises corporate support functions. The EBITDA cost of the Group's Other Businesses for the year ended December 31, 2020 was HK\$460 million versus HK\$509 million a year earlier.

Eliminations

Eliminations for the year ended December 31, 2020 were HK\$4,291 million versus HK\$4,830 million a year earlier. This reflects the close collaboration among the Company's business segments, especially HKT and the Solutions business, on both internal and external projects.

Costs

Cost of Sales

For the year ended December 31, HK\$ million	2019			2020			Better/ (Worse) y-o-y
	H1	H2	Full Year	H1	H2	Full Year	
HKT	6,950	8,837	15,787	6,941	8,762	15,703	1%
The Group (excluding PCPD)	8,118	10,320	18,438	8,364	10,738	19,102	(4)%
Consolidated	8,149	10,758	18,907	9,689	10,807	20,496	(8)%

HKT's cost of sales for the year ended December 31, 2020 was stable at HK\$15,703 million, reflecting the lower cost associated with Mobile product sales, which was nonetheless partially offset by the higher cost incurred in the generation of international voice revenues. Cost of sales for the Now TV business decreased as a result of content cost streamlining during the year. However, cost of sales for the Solutions business increased by 26% reflecting the growth in revenue booked. As a result, cost of sales for the core businesses increased by 4% to HK\$19,102 million.

The Group's consolidated total cost of sales for the year ended December 31, 2020 increased by 8% to HK\$20,496 million, reflecting the recognition of the costs associated with the completion and handover of PCPD's Branded Residences.

General and Administrative Expenses

For the year ended December 31, 2020, operating costs before depreciation, amortization, and net loss on disposal of property, plant and equipment decreased by 11% to HK\$5,572 million. Reduced spending on publicity and promotions as well as travel and entertainment across the entire Group and anti-epidemic relief from the government both contributed to the decrease.

Depreciation expenses for the year increased by 5% to HK\$3,529 million mainly due to additional depreciation arising from the completion of Solutions business's latest data center in Hong Kong and the commencement of PCPD's hotel operations in Japan. Amortization expenses for the year increased by 13% reflecting the increased investments by the Solutions business in developing proprietary solutions and in acquiring and producing content for the Free TV and OTT businesses.

As a whole, general and administrative expenses remained stable at HK\$13,456 million for the year ended December 31, 2020.

EBITDA¹

Overall, our core businesses benefited from the narrowing of EBITDA losses for our OTT and Free TV businesses which was offset by the decreased EBITDA from HKT and Solutions business. EBITDA for the Now TV business was steady. As a result, core EBITDA for year ended December 31, 2020 decreased by 3% to HK\$11,950 million. The EBITDA margin was stable at 33%.

Consolidated EBITDA for the year ended December 31, 2020 decreased by 3% to HK\$11,978 million which reflected a slight positive contribution from PCPD.

Other gains/(losses), net

Net other losses of HK\$792 million were recorded for the year ended December 31, 2020 representing mainly an impairment provision at PCPD's Park Hyatt Niseko, Hanazono, fair value movement on certain other non-core investments as well as write-off of end-of-life IT platforms.

Interest Income and Finance Costs

Interest income for the year ended December 31, 2020 decreased to HK\$50 million and finance costs decreased by 2% to HK\$1,919 million mainly due to a lower HIBOR prevailing during the year. The average cost of debt decreased to 3.1% from 3.4% a year ago. Overall, the net finance costs was stable at HK\$1,869 million for the year ended December 31, 2020.

Income Tax

Income tax expense for the year ended December 31, 2020 was HK\$759 million, as compared to HK\$941 million a year ago. The decrease in income tax expense was mainly due to lower operating profit during the year. However, there was an increase in the Group's effective tax rate due to higher non-tax deductible expenses and losses.

Non-controlling Interests

Non-controlling interests were HK\$1,669 million for the year ended December 31, 2020 (2019: HK\$2,189 million), which primarily represented the net profit attributable to the non-controlling shareholders of HKT and PCPD.

Consolidated Profit/Loss Attributable to Equity Holders of the Company

Consolidated loss attributable to equity holders of the Company for the year ended December 31, 2020 was HK\$1,020 million (Consolidated profit attributable to equity holders of the Company for the year ended December 31, 2019: HK\$681 million).

LIQUIDITY AND CAPITAL RESOURCES

The Group actively and regularly reviews and manages its capital structure to maintain a balance between shareholder return and 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 debt² was HK\$56,984 million as at December 31, 2020 (December 31, 2019: HK\$55,499 million). Cash and short-term deposits totaled HK\$4,619 million as at December 31, 2020 (December 31, 2019: HK\$5,822 million).

As at December 31, 2020, the Group had a total of HK\$44,274 million in committed bank loan facilities available for liquidity management and investment, of which HK\$16,879 million remained undrawn. Of these committed bank loan facilities, HKT accounted for HK\$30,007 million, of which HK\$9,069 million remained undrawn.

The Group's gross debt² to total assets was 58% as at December 31, 2020 (December 31, 2019: 56%).

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

Subsequent to December 31, 2020, the Group issued US\$750 million perpetual subordinated guaranteed securities through its wholly-owned subsidiary, CAS Capital No. 1 Limited, which are guaranteed by CAS Holding No. 1 Limited (“CAS”). CAS directly holds approximately 51.94% of the total number of Share Stapled Units of the HKT Trust and HKT in issue. The new securities helped strengthen the equity position of the Group and provide additional liquidity for the Group to fund its corporate activities including repayment of existing indebtedness. CAS has been assigned an issuer rating of Baa3 by Moody’s Investors Service (“Moody’s”) and BBB- by S&P Global Ratings (“S&P”).

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at December 31, 2020, Hong Kong Telecommunications (HKT) Limited, an indirect non-wholly owned subsidiary of the Company, had investment grade ratings with Moody’s (Baa2) and S&P (BBB).

CAPITAL EXPENDITURE³

Group capital expenditure for the year ended December 31, 2020 was HK\$3,111 million (2019: HK\$5,042 million), of which HKT accounted for about 78% (2019: 54%).

Capital expenditure for HKT’s Mobile business was steady in 2020, as the spending on the 5G rollout and critical infrastructure enhancements replaced the prior spending on the 4G network. Requirements for TSS capital expenditure shrank during the year, reflecting the extensive coverage of local fiber backbone and international cable investments already made in the past years. Capital expenditure for the Media business continued to decrease after the completion of its studio upgrade. Capital expenditure for the Solutions business increased to support the expansion of data center capacity and equipment enhancement in Hong Kong. With the completion of Park Hyatt Niseko, Hanazono in Japan, PCPD’s capital expenditure in 2020 has decreased significantly compared to 2019 when bulk of the capital expenditure was spent for its construction.

The Group will continue to invest in building digital capabilities to support its existing businesses and enable its growth in new areas and prudently invest in building a 5G network 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 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.

Around 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.

HEDGING (CONTINUED)

As for financing, a significant portion of the Group's debt is denominated in foreign currencies including United States dollars. Accordingly, the Group has entered into forward and 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, 2020, the majority of the forward and swap contracts were designated as cash flow hedges and/or fair value hedges for the related borrowings of the Group.

As a result, the impacts of these operational and financial risks to the Group are considered not material.

CHARGE ON ASSETS

As at December 31, 2020, certain assets of the Group with an aggregate carrying value of HK\$8,311 million (2019: HK\$10,310 million) were pledged to secure certain banking facilities of the Group.

CONTINGENT LIABILITIES

As at December 31, HK\$ million	2019	2020
Performance guarantees	1,093	1,573
Others	165	337
	1,258	1,910

The Group operates across several jurisdictions and is subject to certain queries from relevant tax authorities in respect of tax treatment of certain matters currently under way. As at December 31, 2020, the Group is unable to ascertain the likelihood of the outcome of these tax queries, other than those provided for. Based on the currently available information and assessment, the Directors are of the opinion that these cases will not have a significant financial impact to the Group.

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

HUMAN RESOURCES

The Group had over 22,900 employees as at December 31, 2020 (2019: 24,700) located in 49 countries and cities. About 61% of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines and Singapore. The Group has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve the Group's business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units and performance ratings of employees.

FINAL DIVIDEND

The board of Directors (the “Board”) has recommended the payment of a final cash dividend of 23 HK cents (2019: 23 HK cents) per ordinary share for the year ended December 31, 2020 to shareholders whose names appear on the register of members of the Company on Friday, May 14, 2021, subject to the approval of shareholders of the Company at the forthcoming annual general meeting which will be held on Friday, May 7, 2021 (“AGM”). The distribution of the special interim dividend for the six months ended June 30, 2020 in the form of a distribution in specie on the basis of 108 ordinary shares in PCPD for every 1,000 ordinary shares then held by the qualifying shareholders of the Company (2019: Nil) was completed in September 2020, and an interim cash dividend of 9.18 HK cents (2019: 9.18 HK cents) per ordinary share was paid to shareholders of the Company in October 2020.

CLOSURE OF REGISTER OF MEMBERS

The record date for the proposed final cash dividend will be Friday, May 14, 2021. The Company’s register of members will be closed from Thursday, May 13, 2021 to Friday, May 14, 2021 (both days inclusive) in order to determine entitlements to the proposed final cash dividend. During such period, no transfer of shares will be effected. In order to qualify for the proposed final cash 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 Wednesday, May 12, 2021. Subject to the approval of shareholders of the Company at the AGM, dividend warrants will be despatched to shareholders on or around Thursday, June 10, 2021.

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

The record date for determining the entitlement of the shareholders of the Company to attend and vote at the AGM will be Monday, May 3, 2021. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Share Registrar for registration no later than 4:30 p.m. on Monday, May 3, 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2020, 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, 2020.

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 its 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 (the “CG Code”) in each case 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, 2020. Having regard to the mandatory global travel restrictions in connection with the COVID-19 pandemic, certain Directors participated in the annual general meeting of the Company on May 8, 2020 by video/audio conferencing, and such Directors, including the Chairman of the Board and the chairpersons of the Board committees, were available to answer questions at the meeting pursuant to code provision E.1.2 of the CG Code.

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 2020 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
Bernadette M. Lomas
Group General Counsel and Company Secretary

Hong Kong, February 5, 2021

AUDITED CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2020

In HK\$ million (except for earnings/(loss) per share)	Note(s)	2019	2020
Revenue	2, 3	37,521	38,046
Cost of sales		(18,907)	(20,496)
General and administrative expenses		(13,462)	(13,456)
Other gains/(losses), net	4	498	(792)
Interest income		86	50
Finance costs		(1,958)	(1,919)
Share of results of associates		54	(6)
Share of results of joint ventures		(21)	(19)
Profit before income tax	2, 5	3,811	1,408
Income tax	6	(941)	(759)
Profit for the year		2,870	649
Profit/(Loss) attributable to:			
Equity holders of the Company		681	(1,020)
Non-controlling interests		2,189	1,669
		2,870	649
Earnings/(Loss) per share	8		
Basic		8.83 cents	(13.22) cents
Diluted		8.82 cents	(13.22) cents

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2020

In HK\$ million	2019	2020
Profit for the year	2,870	649
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to consolidated income statement:		
Remeasurements of defined benefit retirement schemes obligations	13	(15)
Changes in fair value of equity instruments at fair value through other comprehensive income	(54)	–
	(41)	(15)
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
- exchange differences on translating foreign operations	201	202
- reclassification of currency translation reserve on disposal of subsidiaries	–	5
Cash flow hedges:		
- effective portion of changes in fair value	258	(271)
- transfer from equity to consolidated income statement	152	(82)
Costs of hedging	14	186
	625	40
Other comprehensive income for the year	584	25
Total comprehensive income for the year	3,454	674
Attributable to:		
Equity holders of the Company	1,046	(1,106)
Non-controlling interests	2,408	1,780
Total comprehensive income for the year	3,454	674

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

In HK\$ million	Note*	The Group		(Additional Information) The Company	
		2019	2020	2019	2020
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment		27,805	29,225	–	–
Right-of-use assets		3,745	3,602	–	–
Investment properties		3,680	3,617	–	–
Interests in leasehold land		368	350	–	–
Properties held for/under development		2,922	3,035	–	–
Goodwill		18,344	18,461	–	–
Intangible assets		13,331	14,534	–	–
Fulfillment costs		1,385	1,418	–	–
Customer acquisition costs		771	798	–	–
Contract assets		349	354	–	–
Interests in subsidiaries		–	–	20,163	33,852
Interests in associates		1,183	1,344	–	–
Interests in joint ventures		497	440	–	–
Financial assets at fair value through other comprehensive income		124	124	–	–
Financial assets at fair value through profit or loss		817	757	–	–
Derivative financial instruments		284	243	–	29
Deferred income tax assets		1,089	932	–	–
Other non-current assets		1,333	1,294	–	–
		78,027	80,528	20,163	33,881
Current assets					
Amounts due from subsidiaries		–	–	17,588	5,122
Sales proceeds held in stakeholders' accounts		506	504	–	–
Properties under development/held for sale		1,421	279	–	–
Inventories		1,226	1,081	–	–
Prepayments, deposits and other current assets		3,639	3,400	20	60
Contract assets		2,789	2,376	–	–
Trade receivables, net	9	4,616	4,627	–	–
Amounts due from related companies		116	49	–	–
Derivative financial instruments		6	–	–	–
Tax recoverable		18	22	–	–
Restricted cash		709	222	–	–
Short-term deposits		486	538	–	–
Cash and cash equivalents		5,336	4,081	1,004	229
		20,868	17,179	18,612	5,411
Assets classified as held for sale		–	132	–	–
		20,868	17,311	18,612	5,411

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at December 31, 2020

In HK\$ million	Note*	The Group		(Additional Information) The Company	
		2019	2020	2019	2020
Current liabilities					
Short-term borrowings		(1,528)	(2,370)	–	–
Trade payables	10	(2,746)	(4,418)	–	–
Accruals and other payables		(6,406)	(6,188)	(19)	(14)
Amount payable to the Government under the Cyberport Project Agreement		(325)	(330)	–	–
Derivative financial instruments		–	(29)	–	(5)
Carrier licence fee liabilities		(195)	(215)	–	–
Amounts due to related companies		(3)	(47)	–	–
Advances from customers		(381)	(310)	–	–
Contract liabilities		(1,966)	(1,629)	–	–
Lease liabilities		(1,376)	(1,508)	–	–
Current income tax liabilities		(1,361)	(1,290)	–	–
		(16,287)	(18,334)	(19)	(19)
Non-current liabilities					
Long-term borrowings		(53,505)	(54,319)	(3,206)	(3,609)
Amounts due to subsidiaries		–	–	(3,308)	(3,391)
Derivative financial instruments		(72)	(137)	(21)	–
Deferred income tax liabilities		(3,933)	(4,023)	–	–
Defined benefit retirement schemes liability		(120)	(129)	–	–
Carrier licence fee liabilities		(527)	(627)	–	–
Contract liabilities		(1,001)	(1,074)	–	–
Lease liabilities		(2,717)	(2,362)	–	–
Other long-term liabilities		(2,761)	(3,280)	–	–
		(64,636)	(65,951)	(6,535)	(7,000)
Net assets		17,972	13,554	32,221	32,273

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at December 31, 2020

In HK\$ million	Note*	The Group		(Additional Information) The Company	
		2019	2020	2019	2020
CAPITAL AND RESERVES					
Share capital	11	12,954	12,954	12,954	12,954
Reserves		2,584	(3,021)	19,267	19,319
Equity attributable to equity holders of the Company					
		15,538	9,933	32,221	32,273
Non-controlling interests		2,434	3,621	–	–
Total equity		17,972	13,554	32,221	32,273

* The notes referenced above pertain solely to the consolidated statement of financial position. The above Company statement of financial position as at December 31, 2019 and 2020 is presented only as additional information to these consolidated financial statements.

NOTES

1. BASIS OF PREPARATION

These consolidated financial statements of PCCW Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended December 31, 2020 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, which is a collective term for all individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap. 622).

The following new or amended Hong Kong Financial Reporting Standards (the “new or amended HKFRSs”) are adopted for the financial year beginning January 1, 2020, but have no material effect on the Group’s reported results and financial position for the current and prior accounting periods.

- HKAS 1 (Revised) (Amendments), *Presentation of Financial Statements*
- HKAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors*
- HKAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*
- HKFRS 3 (Revised) (Amendments), *Business Combinations*
- HKFRS 7 (Amendments), *Financial Instruments: Disclosures*
- HKFRS 9 (2014) (Amendments), *Financial Instruments*
- HKFRS 16 (Amendments), *Leases*
- Conceptual Framework for Financial Reporting 2018

The Group has not early adopted any other new or amended HKFRSs and HKASs that are not yet effective for the current accounting period.

As at December 31, 2020, the current liabilities of the Group exceeded its current assets by HK\$1,023 million. Included in the current liabilities were short-term borrowings of HK\$2,370 million, which mainly represented the reclassification of borrowings from non-current liabilities to current liabilities in the current year as their maturity dates fall due within the next twelve-month period. The Group has arrangements to refinance this balance via long-term borrowings. As at December 31, 2020, the Group had a total undrawn banking facilities amounted to HK\$16,879 million, which would be sufficient to enable the Group to meet its liabilities as and when they fall due within the next twelve-month period. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

The financial information relating to the years ended December 31, 2019 and 2020 included in this preliminary announcement of annual results for the year ended December 31, 2020 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended December 31, 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended December 31, 2020 in due course.

1. BASIS OF PREPARATION (CONTINUED)

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

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. Management has also made judgements in applying the Group's accounting policies.

2. SEGMENT INFORMATION

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

The CODM considers the business from the product perspective and 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, media entertainment, enterprise solutions, and other telecommunications businesses such as customer premises equipment sales, 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 offers over-the-top ("OTT") digital media entertainment services in Hong Kong, the Asia Pacific region, and other parts of the world and domestic free television service in Hong Kong. Prior to October 1, 2020, Media Business also offered pay-TV services.
- Solutions Business offers Information and Communications Technologies services and solutions in Hong Kong and other parts of Greater China and Asia.
- Pacific Century Premium Developments Limited ("PCPD") covers the Group's development and management of premium-grade property and infrastructure projects as well as premium-grade property investments.

The CODM assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortization ("EBITDA"). EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortization, gain/loss on disposal of property, plant and equipment, investment properties, interests in leasehold land, right-of-use assets 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.

2. SEGMENT INFORMATION (CONTINUED)

Segment revenue, expense and segment performance include transactions between segments. Inter-segment pricing is based on similar terms to 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.

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

In HK\$ million	2019							Other [#]	Con- solidated
	Reportable segments								
	HKT	Media Business	Solutions Business	PCPD	Elimina- tions	Total			
REVENUE									
External revenue	31,332	2,654	2,522	1,013	–	37,521	–	37,521	
Inter-segment revenue	1,771	1,361	1,696	2	(4,830)	–	–	–	
Total revenue	33,103	4,015	4,218	1,015	(4,830)	37,521	–	37,521	
External revenue from contracts with customers: Timing of revenue recognition									
At a point in time	5,304	336	60	648	–	6,348	–	6,348	
Over time	25,967	2,318	2,462	213	–	30,960	–	30,960	
External revenue from other sources: Rental income	61	–	–	152	–	213	–	213	
	31,332	2,654	2,522	1,013	–	37,521	–	37,521	
RESULTS									
EBITDA	12,817	(133)	1,014	42	(850)	12,890	(509)	12,381	

2. SEGMENT INFORMATION (CONTINUED)

In HK\$ million	2020							Other [#]	Con- solidated
	Reportable segments						Total		
	HKT	Media Business	Solutions Business	PCPD	Elimina- tions				
REVENUE									
External revenue	30,694	2,356	3,155	1,841	–	38,046	–	38,046	
Inter-segment revenue	1,695	1,013	1,581	2	(4,291)	–	–	–	
Total revenue	32,389	3,369	4,736	1,843	(4,291)	38,046	–	38,046	
External revenue from contracts with customers: Timing of revenue recognition									
At a point in time	5,173	336	49	1,416	–	6,974	–	6,974	
Over time	25,461	2,020	3,106	252	–	30,839	–	30,839	
External revenue from other sources: Rental income	60	–	–	173	–	233	–	233	
	30,694	2,356	3,155	1,841	–	38,046	–	38,046	
RESULTS									
EBITDA	12,527	(38)	794	28	(873)	12,438	(460)	11,978	

[#] Other primarily comprises corporate support functions.

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

In HK\$ million	2019	2020
Total segment EBITDA	12,381	11,978
Loss on disposal of property, plant and equipment, net	(7)	(1)
Depreciation and amortization	(7,222)	(7,883)
Other gains/(losses), net	498	(792)
Interest income	86	50
Finance costs	(1,958)	(1,919)
Share of results of associates and joint ventures	33	(25)
Profit before income tax	3,811	1,408

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 that the Group derives revenue from customers.

In HK\$ million	2019	2020
Hong Kong (place of domicile)	30,592	28,642
Mainland and other parts of China	756	1,188
Singapore	1,061	2,374
Japan	893	1,681
Others	4,219	4,161
	37,521	38,046

As at December 31, 2020, the total of non-current assets, other than financial instruments and deferred income tax assets, located in Hong Kong was HK\$63,318 million (2019: HK\$61,013 million), and the total of these non-current assets located in other countries was HK\$14,878 million (2019: HK\$14,363 million).

3. REVENUE

In HK\$ million	2019	2020
Revenue from contracts with customers	37,308	37,813
Revenue from other sources: rental income	213	233
	37,521	38,046

(a) Revenue recognition in relation to contract liabilities

In HK\$ million	2019	2020
Revenue recognized that was included in the contract liability balance at the beginning of the year	1,856	1,966

(b) Unsatisfied long-term fixed-price contracts

In HK\$ million	2019	2020
Aggregate amount of the transaction price allocated to long-term fixed-price contracts that are partially or fully unsatisfied as at December 31,	26,409	41,603

3. REVENUE (CONTINUED)

As at December 31, 2020, management expected that 31% and 16% (2019: 53% and 22%) of the transaction price allocated to the unsatisfied long-term fixed-price contracts would be recognized as revenue during the first and second year respectively after the end of the reporting period. The remaining 53% (2019: 25%) would be recognized as revenue in the periods afterwards. The amount disclosed above does not include unsatisfied performance obligation that is related to the Group's contracts with customers with duration of one year or less and contracts with customers billed directly according to performance completed to date.

4. OTHER GAINS/(LOSSES), NET

In HK\$ million	2019	2020
Fair value movement of derivative financial instruments	12	5
Fair value gains/(losses) on financial assets at FVPL ¹	49	(116)
Dividend income from financial assets at FVOCI ²	49	–
Fair value gain on Network Capacity Access Rights ³	369	–
Provision for impairment on property, plant and equipment ⁴	–	(229)
Write-off of intangible assets	–	(409)
Net gain on purchase of guaranteed notes	19	–
Loss on disposal of subsidiaries, net	–	(35)
Loss on disposal of an associate	(2)	–
Others	2	(8)
	498	(792)

1. FVPL refers to fair value through profit or loss

2. FVOCI refers to fair value through other comprehensive income

3. "Network Capacity Access Rights" is defined in note 8(a) of the annual consolidated financial statements for the year ended December 31, 2019

4. Representing an impairment provision for PCPD's property, plant and equipment

5. PROFIT BEFORE INCOME TAX

Profit before income tax was stated after (crediting)/charging the following:

In HK\$ million	2019	2020
Revenue from properties sold	(620)	(1,364)
Cost of inventories sold	4,837	4,652
Cost of properties sold	408	1,253
Cost of sales, excluding inventories/properties sold	13,662	14,591
Depreciation of property, plant and equipment	1,450	1,625
Depreciation of right-of-use assets – land and buildings	1,663	1,711
Depreciation of right-of-use assets – network capacity and equipment	252	193
Amortization of land lease premium – interests in leasehold land	17	18
Amortization of intangible assets	2,304	2,743
Amortization of fulfillment costs	500	489
Amortization of customer acquisition costs	1,036	1,104

6. INCOME TAX

In HK\$ million	2019	2020
Current income tax:		
Hong Kong profits tax	495	420
Overseas tax	99	107
Movement of deferred income tax	347	232
	941	759

Hong Kong profits tax is provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year. Overseas tax is calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the respective jurisdictions.

7. DIVIDENDS

In HK\$ million	2019	2020
Interim cash dividend declared and paid in respect of the current year of 9.18 HK cents (2019: 9.18 HK cents) per ordinary share	709	710
Less: dividend for shares held by share award schemes	(1)	(1)
	708	709
Special interim dividend by way of distribution in specie (<i>note (a)</i>)	–	1,603
Final cash dividend declared in respect of the previous financial year, approved and paid during the year of 23 HK cents (2019: 22.33 HK cents) per ordinary share	1,724	1,778
Less: dividend for shares held by share award schemes	(1)	(4)
	1,723	1,774
	2,431	4,086
Final cash dividend proposed after the end of the reporting period of 23 HK cents (2019: 23 HK cents) per ordinary share (<i>note (b)</i>)	1,778	1,778

7. DIVIDENDS (CONTINUED)

- (a) On August 6, 2020, the board of directors of the Company (the “Board”) has resolved to declare a special interim dividend in the form of the distribution in specie of shares of PCPD (the “PCPD Shares”) to the qualifying shareholders in proportion to their then respective shareholdings in the Company (the “Distribution”) on the basis of 85 PCPD Shares for every 1,000 shares of PCCW Limited, provided that if certain condition is fulfilled by September 1, 2020, the amount of the Distribution would be increased to 108 PCPD Shares for every 1,000 shares of PCCW Limited. With such condition fulfilled in August 2020, the Company made the Distribution of a total of 834,800,925 PCPD Shares with an aggregate market value of HK\$1,603 million to qualifying shareholders on the basis of 108 PCPD Shares for every 1,000 shares of PCCW Limited in September 2020. As a result of the Distribution, the Company’s economic interest in PCPD and its subsidiaries (together the “PCPD Group”) reduced from approximately 92.6% to approximately 40.0% with a corresponding increase in non-controlling interests attributable to the PCPD Group of HK\$1,760 million measured according to the attributable carrying amount.
- (b) Final dividend proposed after the end of the reporting period is not recognized as a liability as at the end of the reporting period.

8. EARNINGS/(LOSS) PER SHARE

The calculations of basic and diluted earnings/(loss) per share were based on the following data:

	2019	2020
Earnings/(Loss) (in HK\$ million)		
Earnings/(Loss) for the purpose of basic and diluted earnings/(loss) per share	681	(1,020)
Number of shares		
Weighted average number of ordinary shares	7,719,638,249	7,727,589,069
Effect of shares held under the Company’s share award schemes	(6,023,024)	(10,648,965)
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	7,713,615,225	7,716,940,104
Effect of shares awarded under the Company’s share award schemes	7,724,189	—*
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	7,721,339,414	7,716,940,104

- * The effect of shares awarded under the Company’s share award schemes would result in anti-dilutive effect on loss per share during the year ended December 31, 2020.

9. TRADE RECEIVABLES, NET

The aging of trade receivables based on the date of invoice is set out below:

In HK\$ million	2019	2020
1 – 30 days	3,211	3,034
31 – 60 days	493	593
61 – 90 days	353	318
91 – 120 days	152	153
Over 120 days	691	895
	4,900	4,993
Less: loss allowance	(284)	(366)
	4,616	4,627

As at December 31, 2020, included in trade receivables, net were amounts due from related parties of HK\$39 million (2019: HK\$54 million).

The Group's normal credit period for customers is 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 balances are requested to settle all outstanding balances before any further credit is granted.

10. TRADE PAYABLES

The aging of trade payables based on the date of invoice is set out below:

In HK\$ million	2019	2020
1 – 30 days	1,585	1,936
31 – 60 days	583	937
61 – 90 days	105	557
91 – 120 days	34	271
Over 120 days	439	717
	2,746	4,418

As at December 31, 2020, included in trade payables were amounts due to related parties of HK\$36 million (2019: HK\$21 million).

11. SHARE CAPITAL

	Year ended December 31,			
	2019		2020	
	Number of shares	Share capital HK\$ million	Number of shares	Share capital HK\$ million
Ordinary shares of no par value, issued and fully paid:				
As at January 1,	7,719,638,249	12,954	7,719,638,249	12,954
Shares issued (<i>note (a)</i>)	–	–	10,000,000	–
As at December 31,	7,719,638,249	12,954	7,729,638,249	12,954

(a) During the year ended December 31, 2020, the Company issued and allotted 10,000,000 new fully paid shares for an aggregate consideration of HK\$100,000 (HK\$0.01 per share) under general mandate for grant of awards pursuant to the share award scheme.

(b) The Company had total distributable reserves of HK\$19,314 million as at December 31, 2020 (December 31, 2019: HK\$19,264 million).

12. SUBSEQUENT EVENT

On January 12, 2021, CAS Capital No. 1 Limited, an indirect wholly-owned subsidiary of the Company, issued US\$750 million perpetual subordinated guaranteed securities. The securities are listed on the Singapore Exchange Securities Trading Limited and are irrevocably and unconditionally guaranteed by CAS Holding No. 1 Limited, a direct wholly-owned subsidiary of the Company. The securities will be accounted for as equity instruments in the consolidated financial statements of the Group.

As at the date of this announcement, the Directors 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

Tse Sze Wing, Edmund, GBS; Li Fushen (Deputy Chairman); Mai Yanzhou; Zhu Keping and Wei Zhe, David

Independent Non-Executive Directors

Aman Mehta; Frances Waikwun Wong; Bryce Wayne Lee; Lars Eric Nils Rodert; David Christopher Chance and David Lawrence Herzog

Forward-Looking Statements

This announcement may contain certain forward-looking statements. These forward-looking statements include, without limitation, statements relating to revenues, earnings and prospects. 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.