



PACIFIC CENTURY CYBERWORKS LIMITED

電訊盈科有限公司

(Incorporated in Hong Kong with limited liability)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2000

The Directors of Pacific Century CyberWorks Limited (the "Company") announce the audited consolidated results for the Company and its subsidiaries (the "PCCW Group") for the year ended December 31, 2000. These results include the consolidated results of PCCW-HKT Limited ("HKT") and its subsidiaries (the "HKT Group") for the period from August 17, 2000 to December 31, 2000.

AUDITED CONSOLIDATED RESULTS

	Note	Year ended December 31,		
		2000	1999	2000
		HK\$ million	US\$ million*	
		(except per share data)	(except per share data)	
Turnover	1	7,291	152	935
Operating profit / (loss) before provision for impairment losses and net (losses) / gains on investments		520	(293)	67
(Losses) / Gains on investments, net	2	(4,887)	574	(627)
Provisions for impairment losses	3	(312)	—	(40)
(Loss) / Profit from operations		(4,679)	281	(600)
Finance (costs) / income, net	4	(2,356)	56	(302)
Gain on disposal of discontinued operations		—	21	—
Share of results of jointly controlled companies		(100)	—	(13)
Share of results of associated companies		(63)	(5)	(8)
Share of profits of unconsolidated subsidiaries	1	790	—	101
(Loss) / Profit before taxation		(6,408)	353	(822)
Taxation	5	(522)	(7)	(67)
(Loss) / Profit after taxation		(6,930)	346	(889)
Minority interests		23	1	3
(Loss) / Profit for the year and attributable to shareholders		(6,907)	347	(886)
(Loss) / Earnings per share	6			
- Basic (cents)		(47.54)	9.99	(6.09)
- Diluted (cents)		—	7.05	—

* This announcement contains translations of certain Hong Kong dollar amounts into US dollars at the fixed rate of US\$1 = HK\$7.80, solely for illustrative purposes. This does not mean that the currency conversions have been, or could be, translated at that rate or at any other rate of exchange.

NOTES TO AUDITED CONSOLIDATED RESULTS:

1. Basis of presentation

As a result of the Company's acquisition of HKT, which became effective on August 17, 2000, the above consolidated income statement includes the operating results of the HKT Group for the period from August 17, 2000 to December 31, 2000.

The PCCW Group signed conditional agreements with Telstra Corporation Limited of Australia ("Telstra") on October 13, 2000 to form a strategic alliance ("Telstra Alliance") which provided for, amongst others, (i) the merger of certain of the businesses and assets of the PCCW Group and Telstra to create a 50:50 joint venture to operate an IP Backbone business, now named Reach Ltd. ("Reach"), for which the PCCW Group would also receive from Reach cash of US\$1.125 million (approximately HK\$8.775 million) and (ii) the purchase by Telstra of a 60 percent interest in a newly formed company ("Regional Wireless Company") for a cash consideration of US\$1.680 million (approximately HK\$13.100 million) that will own the HKT Group's Hong Kong wireless communications business. The Company's intention to form the Telstra Alliance was initially announced in April, 2000, prior to the completion of the Company's acquisition of HKT. As a result, the Company's control over the HKT Group's IP Backbone business and Hong Kong wireless communications business acquired as part of the acquisition of HKT was intended to be temporary, and accordingly, the PCCW Group has not consolidated these businesses.

The PCCW Group has accounted for its investment in the HKT Group's IP Backbone business using equity accounting, reflecting 100 percent of its interest in the HKT subsidiary operating this business from August 17, 2000 to December 31, 2000, as the PCCW Group will have a continuing interest in the enlarged IP Backbone business operated by Reach. The PCCW Group will continue to use the equity method to account for its 50 percent interest in Reach from its formation in February 2001.

The 60 percent interest in the HKT Group's Hong Kong wireless communications business purchased by Telstra has been accounted for using the cost method of accounting and is recorded as a current asset on the balance sheet. The remaining 40 percent interest to be retained by the PCCW Group has been accounted for using the equity method.

The PCCW Group's share of profits of these businesses, being 100 percent of the HKT Group's IP Backbone business and 40 percent of the HKT Group's Hong Kong wireless communications business, have been included in share of profits of unconsolidated subsidiaries.

The formation of the Telstra Alliance became effective as of February 1, 2001.

2. (Losses) / Gains on investments, net

Losses on investments include (i) net unrealized losses on holdings of other investments in the amount of approximately HK\$1,076 million (1999: net gains of HK\$537 million), (ii) net realized gains from disposal of certain other investments in the amount of approximately HK\$550 million (1999: net gains of HK\$537 million), (iii) net gains from disposals of certain investments in subsidiaries, a jointly controlled entity and associated companies in the amount of HK\$181 million (1999: nil), and (iv) the provision for other than temporary decline in value of investment securities of approximately HK\$3,911 million (1999: nil).

3. Provisions for impairment losses

Provisions for impairment losses include provisions for fixed asset impairments and provision for content costs that are unlikely to be recovered.

4. Finance (costs) / income, net

	Year ended December 31,	
	2000	1999
	HK\$ million	HK\$ million
Interest expenses and other bank charges	(2,458)	(21)
Interest income	998	77
Amortization of arrangement fees for bridge loan facility	(896)	—
	(2,356)	56

5. Taxation

Hong Kong profits tax is calculated at the rate of 16 percent (1999: 16 percent) on the estimated assessable profit derived from Hong Kong during the year.

Taxation for overseas operations is calculated at the rates prevailing in the respective jurisdictions where income arose.

6. (Loss) / Earnings per share

The calculation of basic loss per share is based on the loss attributable to shareholders for the year of approximately HK\$6,907 million (1999: profit of HK\$347 million). The basic loss per share is based on the weighted average of 14,528 million shares (1999: 3,472 million shares) in issue during the year. The diluted loss per share for the year ended December 31, 2000 is the same as the basic loss per share as all potential ordinary shares are anti-dilutive. The number of shares in issue at December 31, 2000 was 21,880,913,125.

7. Summary of Condensed Balance Sheet

At December 31,	Note	Year ended December 31,	
		2000	1999
		HK\$ million	HK\$ million
Total assets	(a)	69,319	13,907
Total liabilities		(83,452)	(2,551)
Net (liabilities) / assets		(14,133)	11,356
Represented by:			
Share capital		1,094	453
Reserves	(b)	(15,950)	10,898
Minority interests		723	5
Net (liabilities) / assets		(14,133)	11,356

(a) Certain material post-balance sheet events are described under the sections entitled "Telstra Alliance" and "Debt Refinancing" below.

(b) Movements on Reserves

	HK\$ million
Balance, December 31, 1999	10,898
Premium on issue of ordinary shares and exercise of options, net of issuing expenses	147,612
Issue of shares under rights issue, net of issuing expenses	4,069
Issue of shares upon conversion of convertible bonds	740
Write-off of goodwill arising from acquisition of subsidiaries	(172,014)
Write-off of goodwill arising from acquisition of associated companies	(376)
Write-off of goodwill arising from acquisition of jointly controlled entities	(167)
Realization of goodwill on disposal of associated companies	48
Surplus on revaluation of properties	219
Exchange differences	(63)
Loss for the year	(6,907)
Others	(9)
Balance, December 31, 2000	(15,950)

HIGHLIGHTS

On August 17, 2000 the Company completed the acquisition of HKT, representing one of the largest corporate mergers in Asia's history. The Board's immediate priorities for the combined group were to integrate the two organizations, complete the Telstra Alliance and reduce debt.

• Consolidated Results

The PCCW Group's consolidated revenues increased from HK\$152 million for the year ended December 31, 1999 to HK\$7,291 million for the year ended December 31, 2000. This accounted for four and a half months of the HKT Group's results but does not include the revenues of the HKT Group's IP Backbone business and its Hong Kong wireless communications business. The losses attributable to shareholders for the year reflect the significant provisions made against the Company's strategic investments and the change in the market value of other investments, as well as the costs associated with the short term financing facility arranged for the acquisition of HKT.

The transformation of the Company this year was accomplished against the background of substantial challenges and volatility in global financial markets. The fundamental changes in market conditions have particularly impacted telecommunications, Internet and technology companies.

• Unrealized Losses and Provisions for Investments

The Board has conducted a thorough review of the Company's investment portfolio, which has been consolidated with that of the HKT Group. Taking a prudent approach, to reflect current market conditions, the losses on investments for the year include a substantial provision for a decline in the value of certain of the Company's investment securities that the Board believes was other than temporary. In addition, unrealized losses have been recognized in respect of other investments which have been marked-to-market at the period end.

• Finance Costs

In February 2000 the Company entered into an agreement for a short term financing facility ("bridge loan facility") of US\$12,000 million (approximately HK\$93,600 million) for the purpose of financing the cash element consideration for the acquisition of HKT. On August 17, 2000 approximately US\$11,320 million (approximately HK\$88,300 million) was drawn down under the bridge loan facility to finance the consideration payable for the Company's acquisition of HKT. A further US\$680 million (approximately HK\$5,300 million) of the bridge loan facility was drawn down on August 22, 2000 for working capital purposes.

Total net finance costs for the year ended December 31, 2000 were HK\$2,356 million. A loan arrangement fee of HK\$1,159 million was incurred in respect of the bridge loan facility and the amortized portion of approximately HK\$896 million was taken into account in finance costs for the year ended December 31, 2000. The balance of HK\$263 million of this fee will be charged to the profit and loss account in 2001. Interest expenses and other bank charges of HK\$2,458 million included interest expenses relating to the bridge loan facility of HK\$2,215 million.

• Group Reorganization

Following the acquisition of the HKT Group the combined group has been reorganized into eight major business areas to ensure more focus within their respective markets to develop and grow shareholder value and to benchmark performance against leading global comparators:

- **Telecommunications Services** comprises the fixed line telecommunications network services and equipment businesses in Hong Kong.
- **Business eSolutions** comprises the systems integration, applications development and business broadband access businesses.
- **Internet Data Centers** comprises Internet data center and facilities management businesses in Hong Kong and joint ventures in mainland China.
- **Business-to-Consumer services** comprises Internet access and content businesses based in Hong Kong, India, Taiwan and London.
- **CyberWorks Ventures** is the PCCW Group's investment arm which takes strategic positions in, incubates and operates a portfolio of Internet technology companies.
- **Infrastructure Services** comprises the investment property development and management businesses based in Hong Kong and China.
- **Global Communications Services** includes the PCCW Group's interests in the global IP Backbone Company (Reach) and Regional Wireless Company joint ventures which are part of the Telstra Alliance.

• Telstra Alliance

The detailed terms of the Telstra Alliance were finalized and announced in October 2000 and formation of the Telstra Alliance was completed in February 2001. PCCW and Telstra believe that with the combination of their complementary IP Backbone businesses, ventures and relationships, they can build a pan-Asian IP Backbone company that will be a partner of choice in Asia and whose assets will provide a competitive service and cost base and the critical mass for expansion on a global scale.

The HKT Group's Hong Kong wireless communications business provides the base for Regional Wireless Company, of which the PCCW Group now owns 40 percent and Telstra 60 percent, and which will be the foundation to build a regional business through strategic acquisitions and alliances with wireless communications operators in Asia.

The formation of the Internet Data Center Company will combine expertise from the two partners to establish a new data center business to capitalize on the perceived significant demand for data centers in the Asia Pacific region.

The Company issued to Telstra a US\$750 million (approximately HK\$5,850 million) convertible note with a term of six years and an interest coupon of 5 percent for the first four years, and 7 percent for the remaining two years.

• Debt Refinancing

Debt was significantly reduced through refinancing and re-capitalization programs. In December 2000, the Company completed a HK\$4,143 million rights issue and an issue of US\$1,100 million (approximately HK\$8,580 million) in convertible bonds. By December 31, 2000 the outstanding amount of the bridge loan facility had been reduced to US\$7,655 million (approximately HK\$59,700 million).

In December 2000, a group of five major international banks led the syndication of US\$4,700 million (approximately HK\$36,660 million) in long-term loans, which was drawn down in February 2001 to refinance the US\$4,100 million (approximately HK\$32,000 million) which remained outstanding under the bridge loan facility after completion of the Telstra Alliance and to partly provide working capital for the PCCW Group. Following the formation of the Telstra Alliance and completion of the re-financing arrangements in early February 2001 the PCCW Group has strengthened its financial position and established a sustainable structure to service these debts.

• PCCW Japan

On November 7, 2000, the Company completed the acquisition of Jaleco Limited, now named Pacific Century CyberWorks Japan K.K. ("PCCW Japan"), a publicly traded company in Japan which develops video game software, for 27 billion Japanese Yen (approximately HK\$1,950 million). At December 31, 2000 the Company's interest in PCCW Japan was 77 percent.

The Company's acquisition of PCCW Japan provides a business infrastructure to exploit the opportunities of the Japanese Internet and media markets. PCCW Japan is pursuing four main business lines: the development of NOW Japan including wireless content services, content export services, complementary infrastructure services, and the restructuring of the existing video game software business focused on the development of online gaming services.

PUBLICATION OF ANNUAL RESULTS ON THE INTERNET WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

A results announcement containing the information required by paragraphs 45(1) to 45(3) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the website of the Stock Exchange in due course.

By Order of the Board
Donald J Hess
Company Secretary

March 28, 2001

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