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, 2007

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, 2007.

- Core revenue increased by 12% to HK$20,581 million; consolidated revenue including PCPD decreased by 7% to HK$23,715 million, reflecting lower recognition of property development revenue
- Core EBITDA increased by 11% to HK$6,506 million; consolidated EBITDA including PCPD increased by 7% to HK$7,296 million. Core segment results and consolidated segment results increased by 15% and 6% to HK$3,308 million and HK$4,023 million respectively
- Mobile achieved EBITDA breakeven - 3G mobile subscribers almost quadrupled to 206,000
- now TV has taken a leadership position in the local pay-TV market. Installed base was up 16% to 882,000
- Profit attributable to equity holders of the Company increased by 20% to HK$1,503 million
- Basic earnings per share of 22.21 HK cents
- Final dividend of 13.5 HK cents per share

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

MANAGEMENT REVIEW

PCCW reported healthy core business growth in 2007. The Group's commitment to delivering high quality, innovative products and services has enabled PCCW to maintain its market leader position. The success in operational metrics was translated into solid financial performance for the year ended December 31, 2007.

Core revenue for the year ended December 31, 2007 increased by 12% to HK$20,581 million. The growth was driven by a 8% increase in Telecommunications Services ("TSS") revenue, a 70% surge in TV & Content revenue, a 19% increase in Mobile revenue, and a 9% increase in PCCW Solutions revenue. TSS growth was led by local data services and international telecommunications services, while the fixed-line business maintained a stable market share and a firm average revenue per user ("ARPU").

Consolidated revenue including PCPD for the year ended December 31, 2007 was HK$23,715 million compared with HK$25,637 million for the year ended December 31, 2006, reflecting lower revenue recognized from property completion from the Bel-Air project during 2007.

Benefiting from the revenue growth of TSS, Mobile and TV & Content, core EBITDA grew 11% to HK$6,506 million for the year ended December 31, 2007. Consolidated EBITDA including PCPD increased by 7% to HK$7,296 million.

Profit attributable to equity holders of the Company for the year ended December 31, 2007 increased by 20% to HK$1,503 million and the basic earnings per share increased by 19% to 22.21 HK cents. The board of Directors (the "Board") has recommended the payment of a final dividend of 13.5 HK cents per share for the year ended December 31, 2007.

OUTLOOK

In 2007, we built on our first-in-market quadruple-play capability and were encouraged by the customer growth in each platform and across the services.

Year 2008 will see PCCW taking this strategy to the next stage with more innovative applications, captivating content, as well as enhancements to the user interface to attract an even wider cross section of the market.

Adding to the list of innovative products and services is the digital home networking and home media service, which offers our customers the convenience of being able to control digital TV viewing and other digital multimedia devices centrally from the comfort of their arm chair.

Our TSS business last year generated a growth momentum that we plan to maintain by exploring the full potential of existing network assets and delivering innovative value-added services.

The PCCW 3G mobile service is expected to benefit further from continuing development of value-added services plus world-class content from now TV and from MOOV, the unique digital streaming music service which will carry more music and videos. We expect the growing number of users demanding more mobility to be drawn to our wireless broadband solutions, which combine the speed, reliability and reach of PCCW's Wi-Fi, 3G and High-Speed Downlink Packet Access ("HSDPA") networks.

As a leading pay-TV service provider in Hong Kong, now TV plans on increasing its lead by introducing more High Definition ("HD") channels and more attractive packages of our enriched and largely exclusive programming to appeal to a wider audience. In addition, having reached a critical mass in terms of now TV viewership, the Group can now develop new sources of revenue from interactive advertising and transaction solutions delivered via multiple platforms.

Capitalizing on the growing trend of IT, business process and contact center outsourcing in the region, PCCW Solutions and PCCW Teleservices are extremely well positioned to win more large-scale projects. At the same time, the recently-created International Projects division is ideally placed to make the homegrown expertise held by Cascade Limited ("CASCADE"), our technical services arm, commercially available to overseas markets.

Having strengthened our position in Hong Kong through innovation, prudent investment and a determination to meet the changing needs of customers, the Group has established a solid foundation on which to develop a promising and sustainable business in markets at home and abroad.

FINANCIAL REVIEW BY SEGMENTS

For the year ended December 31, HK$ million	2007 H1	2007 H2	2007 Full Year	2006 H1	2006 H2	2006 Full Year	Better/ (Worse) y-o-y
Revenue[1, 8]							
TSS	7,706	8,930	**16,636**	7,405	7,969	**15,374**	8%
TV & Content	715	988	**1,703**	505	497	**1,002**	70%
Mobile	668	800	**1,468**	585	651	**1,236**	19%
PCCW Solutions	826	969	**1,795**	737	915	**1,652**	9%
Other Businesses	165	84	**249**	162	166	**328**	(24)%
Eliminations	(573)	(697)	**(1,270)**	(546)	(672)	**(1,218)**	(4)%
Total Revenue (excluding PCPD)	9,507	11,074	**20,581**	8,848	9,526	**18,374**	12%
PCPD	2,100	1,034	**3,134**	5,276	1,987	**7,263**	(57)%
Consolidated Revenue	11,607	12,108	**23,715**	14,124	11,513	**25,637**	(7)%
Cost of sales[1]	(5,199)	(5,339)	**(10,538)**	(7,716)	(5,257)	**(12,973)**	19%
Operating costs before depreciation, amortization and restructuring costs[1]	(2,799)	(3,082)	**(5,881)**	(2,756)	(3,081)	**(5,837)**	(1)%
EBITDA[1, 2]							
TSS	3,431	4,004	**7,435**	3,414	3,589	**7,003**	6%
TV & Content	(74)	(83)	**(157)**	(155)	(156)	**(311)**	50%
Mobile	(56)	56	**--**	(70)	(116)	**(186)**	N/A
PCCW Solutions	102	48	**150**	83	68	**151**	0%
Other Businesses	(335)	(587)	**(922)**	(328)	(458)	**(786)**	(17)%
Total EBITDA (excluding PCPD)	3,068	3,438	**6,506**	2,944	2,927	**5,871**	11%
PCPD	541	249	**790**	708	248	**956**	(17)%
Consolidated EBITDA[2]	3,609	3,687	**7,296**	3,652	3,175	**6,827**	7%
Consolidated EBITDA Margin[2,4]	*31%*	*30%*	***31%***	*26%*	*28%*	***27%***	*4%*
Depreciation and amortization[8]	(1,610)	(1,660)	**(3,270)**	(1,467)	(1,569)	**(3,036)**	(8)%
Gain/(Loss) on disposal of property, plant and equipment, investment properties and interests in leasehold land	11	(4)	**7**	(2)	(23)	**(25)**	N/A
Restructuring costs	--	--	**--**	--	(6)	**(6)**	N/A
Other (losses)/gains, net	55	(58)	**(3)**	98	(56)	**42**	N/A
Losses on property, plant and equipment	(2)	(5)	**(7)**	--	(11)	**(11)**	36%
Segment results[1, 3, 8]							
TSS	2,392	2,930	**5,322**	2,401	2,549	**4,950**	8%
TV & Content	(150)	(247)	**(397)**	(211)	(228)	**(439)**	10%
Mobile	(361)	(257)	**(618)**	(292)	(409)	**(701)**	12%
PCCW Solutions	73	23	**96**	62	46	**108**	(11)%
Other Businesses	(422)	(673)	**(1,095)**	(380)	(659)	**(1,039)**	(5)%
Total segment results (excluding PCPD)	1,532	1,776	**3,308**	1,580	1,299	**2,879**	15%
PCPD	531	184	**715**	701	211	**912**	(22)%
Consolidated segment results[3]	2,063	1,960	**4,023**	2,281	1,510	**3,791**	6%

Note 1 *Certain comparative figures have been restated to conform with the business segment presentation in the current year:*

- *The Group's directories business, previously included in Other Businesses, has been reclassified to TV & Content.*

- *Certain Internet Protocol ("IP") -based international connectivity products and services, previously included in TSS-Other Services, have been reclassified to TSS-International Telecommunications Services.*

- *Certain operating expenses incurred in 2006 have been reclassified to cost of sales to conform with current year presentation.*

Note 2 *EBITDA represents earnings before interest income, finance costs, income tax, depreciation of property, plant and equipment, amortization of land lease premium and intangible assets, gain/loss on disposal of property, plant and equipment, investment properties and interests in leasehold land, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on interests in jointly controlled companies and associates and the Group's share of results of jointly controlled companies and associates. While EBITDA is commonly used in the telecommunications industry worldwide as an indicator of operating performance, leverage and liquidity, it is not presented as a measure of operating performance in accordance with the Hong Kong Financial Reporting Standards and should not be considered as representing net cash flows from operating activities. The computation of the Group's EBITDA may not be comparable to similarly titled measures of other companies.*

Note 3 *Segment results represent earnings before interest income, finance costs, income tax, impairment losses on interests in jointly controlled companies and associates and the Group's share of results of jointly controlled companies and associates.*

Note 4 *December 31, 2007 market shares were provisional figures and year-on-year percentage change was based on absolute percentage change.*

Note 5 *As at the period end, with exception of International Direct Dial ("IDD") minutes, which is the total for the period.*

Note 6 *Gross debt refers to the principal amount of short-term borrowings and long-term liabilities. Net debt refers to the principal amount of short-term borrowings and long-term liabilities minus cash and cash equivalents and certain restricted cash.*

Note 7 *Group capital expenditure includes additions to property, plant and equipment, investment properties and interests in leasehold land held for own use. Interests in leasehold land held for development of HK$nil (2006: HK$495 million) are excluded.*

Note 8 *As part of the Group's regular review process, the useful lives of certain fixed assets over which they are depreciated and the expected customer relationship period over which deferred installation revenue is amortized were reassessed during the year. The change in accounting estimates has been accounted for prospectively from July 1, 2007. Please refer to Note 1 of the Audited Consolidated Results and Audited Consolidated Balance Sheet for details.*

OPERATING DRIVERS[5]	**2007**		**2006**		Better/ (Worse)
	H1	**H2**	**H1**	**H2**	y-o-y
Exchange lines in service ('000)	2,590	2,590	2,579	2,587	0%
Business lines ('000)	1,183	1,183	1,176	1,180	0%
Residential lines ('000)	1,407	1,407	1,403	1,407	0%
Fixed line market share[4]					
Business lines	69%	68%	70%	69%	(1)%
Residential lines	66%	66%	66%	66%	0%
Total broadband access lines ('000) (Consumer, business and wholesale customers)	1,176	1,237	998	1,117	11%
Retail consumer broadband subscribers ('000)	1,005	1,060	840	952	11%
Retail business broadband subscribers ('000)	104	107	94	99	8%
Consumer narrowband subscribers ('000)	117	111	132	122	(9)%
Traditional data (Exit Gbps)	614	723	351	485	49%
Retail IDD minutes ('M mins)	944	947	819	906	10%
International Private Leased Circuit ("IPLC") bandwidth (Exit Mbps)	47,098	44,144	15,489	22,994	92%
now TV					
Installed base ('000)	818	882	608	758	16%
Paying base ('000)	560	628	444	501	25%
Mobile subscribers ('000)	957	1,071	781	921	16%
3G post-paid ('000)	119	206	--	55	275%
2G post-paid ('000)	462	460	491	516	(11)%
2G prepaid ('000)	376	405	290	350	16%

TSS

The table below sets out the financial performance of TSS for the year ended December 31, 2007 and December 31, 2006:

For the year ended December 31, HK$ million	2007 H1	2007 H2	2007 Full Year	2006[1] H1	2006[1] H2	2006[1] Full Year	Better/ (Worse) y-o-y
Local Telephony Services	2,343	2,391	**4,734**	2,352	2,336	**4,688**	1%
Local Data Services	2,214	2,443	**4,657**	2,092	2,159	**4,251**	10%
International Telecommunications Services	1,591	1,748	**3,339**	1,394	1,497	**2,891**	15%
Other Services	1,558	2,348	**3,906**	1,567	1,977	**3,544**	10%
TSS Revenue[8]	7,706	8,930	**16,636**	7,405	7,969	**15,374**	8%
Cost of sales	(2,466)	(3,034)	**(5,500)**	(2,226)	(2,345)	**(4,571)**	(20)%
Operating costs before depreciation and amortization	(1,809)	(1,892)	**(3,701)**	(1,765)	(2,035)	**(3,800)**	3%
TSS EBITDA[2]	3,431	4,004	**7,435**	3,414	3,589	**7,003**	6%
TSS EBITDA Margin[2,4]	45%	45%	**45%**	46%	45%	**46%**	(1)%

TSS growth momentum continued in 2007 with revenue pushing forward by another 8% to HK$16,636 million, and EBITDA and segment results[8] growing by 6% and 8% to HK$7,435 million and HK$5,322 million respectively.

Local Telephony Services. Local telephony services revenue for the year ended December 31, 2007 was stable compared to a year ago at HK$4,734 million. The Group successfully maintained its overall fixed-line market share in 2007 and the total fixed lines in service at the end of December 2007 grew slightly to approximately 2,590,000. Residential and business lines' market shares were approximately 66% and 68% respectively. Our focus turned to improving the profitability from operations in a buoyant economy. The retail price of our commercial fixed-line service was raised during 2007, resulting in an increase in ARPU.

Local Data Services. Local data services revenue for the year ended December 31, 2007 grew 10% to HK$4,657 million, backed by growth in both broadband network and local data revenue.

The growth of broadband network revenue was led by a double-digit rise in revenue from consumer and business broadband services. After breaking through the one million milestone in 2006, the total broadband access lines in service reached 1,237,000 at the end of December 2007, up by 11% from a year ago. Line growth was driven mainly by the consumer broadband segment, which expanded due to greater demand for high-speed Internet access and captivating content on our media platforms. In sync with the surging demand for more high-speed broadband connections, more higher-speed broadband services were launched in 2007 providing Internet access speed of up to 1,000 Mbps. Other factors stimulating demand include PCCW WiFi which enables high-speed outdoor wireless broadband connection via 4,000 hotspots city-wide.

The demand for high bandwidth connectivity services from the commercial market grew at a healthy pace as customer demand for bandwidth grew on increasing deployment of high bandwidth applications. This resulted in a 49% jump in bandwidth sold, which more than offset the impact from price compression.

International Telecommunications Services[1]. International Telecommunications Services revenue for the year ended December 31, 2007 increased by 15% to HK$3,339 million. The revenue increase was led by growth in wholesale traditional and IP-based international connectivity services. Exit IPLC bandwidth almost doubled to 44,144 Mbps, which more than offset the impact from price compression. Retail IDD minutes increased by 10% to 1,891 million minutes and average retail rates were stable compared to 2006.

Other Services[1]. Other services revenue for the year ended December 31, 2007 increased by 10% to HK$3,906 million. Sales of our computer and customer premise equipment benefited from a vibrant commercial market. Revenues from our Teleservices business grew on the back of increasing demand for contact center outsourcing services from multinational corporations.

TV & Content

For the year ended December 31, HK$ million	**2007**			**2006**			Better/ (Worse)
	H1	**H2**	**Full Year**	**H1**	**H2**	**Full Year**	y-o-y
TV & Content Revenue[1]	715	988	**1,703**	505	497	**1,002**	70%
TV & Content EBITDA[1, 2]	(74)	(83)	**(157)**	(155)	(156)	**(311)**	50%

The growth momentum of TV & Content remained strong. Driven by significant subscriber and ARPU growth, revenue in 2007 surged by another 70% to HK$1,703 million. As a result, EBITDA loss and segment results both showed marked improvements.

now TV, a leading pay-TV service provider in Hong Kong, achieved an installed subscriber base of 882,000 at the end of 2007, up 16% from a year earlier. Paying subscribers reached 628,000 at the end of 2007, 25% more than a year ago. now TV carried the widest selection of content line-up with over 155 local and international channels at the end of December 2007, including over 80 exclusive world-class movie, sports, news and general entertainment channels. Adding to the wealth of the mass market content portfolio is the brand-new, self-produced 24-hour Cantonese language local and international news channel - now NEWS Channel ("now NEWS") which was launched in October 2007. The enriched now TV content attracted more paying subscribers during the year.

ARPU increased significantly by 42% from a year ago to HK$199 per month in December 2007. The improvement was driven by increasing uptake of the Mega Sports Pack, which includes the Barclays Premier League and other major international sports programs, and by growing demand for higher value plans and HD channels for live sports events, documentaries and entertainment content.

In 2007, the Group's Yellow Pages' directories business was integrated with the now TV advertising and now shop merchandising and transaction units to form a new Advertising & Interactive Services business team, providing premium broadcast and sponsorship advertising, interactive advertising, and transaction-based solutions on PCCW's print and quadruple-play platforms to both corporate and small-medium sized entities. The latest developments include the *Hang Seng TV Securities Trading Service,* and *Yellow Pages Channel 502* which offers detailed information in audio-visual format.

now.com.hk, the largest broadband content portal in Hong Kong, continued to provide trendy video content including TV and radio programs, Asian dramas, instant news and sports matches. MOOV, our digital music brand, represents Hong Kong's first multi-platform delivery of the largest digital music library with 100,000-plus songs and music videos via MOOV.now.com.hk and MOOV on mobile, with extension to the PCCW eye home multimedia device in 2007. The creation of MOOV Live – Hong Kong's first-ever digital live concert series simulcast on both broadband and mobile platforms, featured local stars performing pre-released albums. MOOV has recently won the prestigious Best Lifestyle Gold Award in the Hong Kong ICT Awards 2007 and the Best Mobile Music Service in the GSMA Asia Mobile Awards 2007. MOOV's subscription growth also contributed to an increase in the ARPU of now.com.hk during the year.

Mobile

For the year ended December 31, HK$ million	**2007**			**2006**			Better/ (Worse)
	H1	**H2**	**Full Year**	**H1**	**H2**	**Full Year**	y-o-y
Mobile Revenue	668	800	**1,468**	585	651	**1,236**	19%
Mobile EBITDA[2]	(56)	56	**--**	(70)	(116)	**(186)**	N/A

Fuelled by a growing 3G subscriber base with a higher ARPU, revenue from Mobile increased by 19% to HK$1,468 million in 2007. At the same time, Mobile achieved breakeven at the EBITDA level in 2007.

The Group continued to enhance its mobile network quality by achieving greater network coverage and better call quality for customers. Mobile had around 1,600 3G and 1,600 2G cell sites in place at the end of 2007. During the year, PCCW mobile introduced the PUSH eMail and Blackberry services and also launched the first-in-market 7.2Mbps HSDPA service, which is integrated into our WiFi/3G/HSDPA networks for seamless roaming service. This is aimed at providing the best possible wireless connectivity experience to PCCW mobile customers.

The total subscribers to PCCW's award winning mobile service increased by 16% to 1,071,000 at the end of 2007. The 3G subscriber base almost quadrupled to 206,000 in 2007 from 55,000 in 2006 while the total 2G subscriber base remained steady in 2007.

The ARPU of our 3G service increased by 7% from a year ago to HK$216 per month in December 2007. Supported by the growing contribution from a larger 3G subscriber base, blended (2G and 3G) post-paid ARPU increased by 4% compared to a year ago to HK$153 per month in December 2007.

Quadruple-play content available on PCCW mobile includes now TV, Barclays Premier League, now SPORTS HD and "MOOV on mobile". The unique quadruple-play content, together with other innovative mobile applications such as *snaap!*, PUSH eMail and one Communications integrated fixed/mobile solution, differentiated PCCW mobile from other operators. In recognition of its excellent services, several top honor industry awards were conferred on PCCW mobile in 2007, including the Award of the Year, the Best Ubiquitous Networking Grand Award, the Best Ubiquitous Networking Gold Award – Mobile Infotainment Application and the Best Ubiquitous Networking Outstanding 3G Solution title all from the Hong Kong ICT Awards 2007, and the Best Mobile Music Service in the GSMA Asia Mobile Awards 2007.

PCCW Solutions

For the year ended December 31, HK$ million	2007 H1	2007 H2	2007 Full Year	2006 H1	2006 H2	2006 Full Year	Better/ (Worse) y-o-y
PCCW Solutions Revenue	826	969	**1,795**	737	915	**1,652**	9%
PCCW Solutions EBITDA[2]	102	48	**150**	83	68	**151**	0%

PCCW Solutions reported a 9% growth in revenue to HK$1,795 million for 2007. The growth was attributable to strong public sector demand for IT solution services in Hong Kong and an increasing demand from mainland China, Macau, the Asia Pacific region and the Middle East.

During the year, PCCW Solutions won a number of significant industry awards, which recognized the high standard and quality of its services. Recent significant projects awarded include a long-term partnership with the Hong Kong Airport Authority to upgrade its operation systems, a hassle-free document scanning solution for the Registration and Electoral Office, and a logistics hub service for Franklin Covey to serve its customers in the Asia Pacific region.

PCCW Solutions also successfully expanded its business to markets beyond Hong Kong. It was awarded an electronic passport consulting project in Saudi Arabia, an electronic passport system contract for the Macau SAR Government and a data center design service contract from Sudatel in Sudan. In mainland China, PCCW Solutions expanded its clientele from telecommunications companies to companies in other industries, and secured contracts with a leading Chinese television broadcaster and Sino Life Insurance.

PCPD

PCPD revenue for the year ended December 31, 2007 decreased by 57% to HK$3,134 million, mainly due to lower revenue recognized from property completion from the Bel-Air project.

PCPD's redevelopment project, named ONE Pacific Heights and located in Wo Fung Street to the west of Central, will comprise 155 luxury boutique apartments and is scheduled to complete in 2009. Meanwhile in mainland China, progress has been made on the Group's prestigious residential project at No.4 Gong Ti Bei Lu in Beijing's Chaoyang District which is planned for completion in 2010. PCPD's investment property, Pacific Century Place, enjoyed an average occupancy rate of 89% during the year. Pacific Century Place is currently home to many multinational corporations, world-class retailers and residential tenants.

For more information about the performance of PCPD, please refer to its 2007 annual results released on March 6, 2008.

Other Businesses

In 2007, Other Businesses primarily includes the Group's telecommunications business in Taiwan, its wireless broadband business in the United Kingdom, and all corporate support functions. Revenue from Other Businesses decreased by 24% to HK$249 million for the year ended December 31, 2007 as the Group continued to trim back non-core businesses and exited certain unprofitable businesses during the year.

Eliminations

Eliminations were HK$1,270 million for the year ended December 31, 2007. Eliminations primarily relate to internal charges for telecommunications services consumed, IT support and computer system network charges, customer support services and rental among the Group's business units.

COSTS

Cost of Sales

For the year ended December 31, HK$ million	2007 H1	2007 H2	2007 Full Year	2006[1] H1	2006[1] H2	2006[1] Full Year	Better/ (Worse) y-o-y
The Group (excluding PCPD)	3,787	4,720	**8,507**	3,292	3,606	**6,898**	(23)%
PCPD	1,412	619	**2,031**	4,424	1,651	**6,075**	67%
Group Consolidated Total	5,199	5,339	**10,538**	7,716	5,257	**12,973**	19%

The Group's consolidated total cost of sales for the year ended December 31, 2007 declined by 19% to HK$10,538 million primarily due to a 67% decline in PCPD's cost of sales to HK$2,031 million on lower recognition of sales of Bel-Air residential units.

The Group's cost of sales excluding PCPD increased by 23% to HK$8,507 million, reflecting higher cost of sales that was in line with its revenue growth, and higher content and customer acquisition costs to support the strong growth in the TV & Content and Mobile businesses.

General and Administrative Expenses

For the year ended December 31, HK$ million	2007	2006[1]	Better/ (Worse) y-o-y
Staff costs	**2,785**	2,803	1%
Rent, rates and utilities	**934**	876	(7)%
Other operating costs	**2,162**	2,158	0%
Total operating costs before depreciation, amortization and restructuring costs	**5,881**	5,837	(1)%
Depreciation and amortization	**3,270**	3,036	(8)%
(Gain)/Loss on disposal of property, plant and equipment, investment properties and interests in leasehold land	**(7)**	25	N/A
Restructuring costs	**–**	6	N/A
General and administrative expenses	**9,144**	8,904	(3)%

To cope with the Group's increased business activities, as evidenced by a 12% growth in core business revenue, general and administrative expenses in 2007 increased marginally by 3% to HK$9,144 million. The increase in expenses was primarily due to higher rental and utilities costs and depreciation and amortization. Staff costs and other operating costs were held steady, which was made possible by the Group's efficient operating structure. Depreciation and amortization increased by 8% to HK$3,270 million, reflecting the full year impact of 3G mobile network depreciation and higher amortization of intangible assets.

EBITDA[2]

Core EBITDA grew 11% to HK$6,506 million for the year ended December 31, 2007. The growth was primarily driven by a 6% increase in TSS EBITDA to HK$7,435 million, and by the rapidly ascending EBITDAs of Mobile and TV & Content.

Consolidated EBITDA including PCPD increased by 7% to HK$7,296 million as the growth from the Group's core business referred to above was partially offset by a 17% decrease in PCPD EBITDA to HK$790 million on lower recognition of Bel-Air sales.

Consolidated EBITDA margin improved by 4 percent from 27% in 2006 to 31% in 2007. The improved EBITDA margin was due to a higher margin from PCPD. Core business EBITDA margin was stable at 32%.

Other (Losses)/Gains, Net

Net other losses were HK$3 million for the year ended December 31, 2007 (2006: net other gains of HK$42 million). The net other losses in 2007 primarily comprised provisions for impairment of investments and goodwill, partially offset by gains on disposals of financial assets and on derivative financial instruments.

Segment Results[3]

Core segment results, which exclude PCPD, were 15% higher than a year ago at HK$3,308 million mainly reflecting the 11% increase in core EBITDA as mentioned above.

Consolidated segment results including PCPD increased by 6% to HK$4,023 million primarily due to the strong 15% growth in core segment results referred to above, which more than offset the 22% reduction in the PCPD segment results to HK$715 million.

Interest Income and Finance Costs

Finance costs decreased by 17% to HK$1,658 million for the year ended December 31, 2007 due to the repayment of the US$450 million guaranteed convertible bonds and the US$456 million guaranteed notes in January 2007. Interest income decreased by 41% to HK$429 million due to a lower average cash balance. Net finance cost decreased by 4% to HK$1,229 million. The average cost of debt for the year ended December 31, 2007 improved to 6% and the average remaining term of the loans and banking facilities was approximately 5 years.

Share of Results of Jointly Controlled Companies and Associates

Share of results of jointly controlled companies and associates decreased to HK$13 million for the year ended December 31, 2007 (2006: HK$37 million). The decrease was attributable to the sharing of losses from 網通寬帶網絡有限責任公司.

Taxation

Taxation expenses for the year ended December 31, 2007 increased by 5% to HK$970 million and the Group's effective tax rate for the year ended December 31, 2007 was 35% (2006: 36%). This rate is higher than the statutory tax rate of 17.5%, mainly due to the fact that losses of some companies cannot be offset against profits of other companies for Hong Kong tax purposes and the disallowance of financing costs relating to the financing of non-income-producing assets. Excluding these factors, the Group would have an effective tax rate around the statutory tax rate of 17.5%.

Minority Interests

Minority interests of HK$334 million primarily represented the net profit attributable to the minority shareholders of PCPD.

Profit Attributable to Equity Holders of the Company

Profit attributable to equity holders of the Company for the year ended December 31, 2007 increased by 20% to HK$1,503 million (2006: HK$1,252 million).

LIQUIDITY AND CAPITAL RESOURCES

The Group's gross debt[6] totaled HK$25,774 million as at December 31, 2007 (2006: HK$28,977 million). Cash and cash equivalents decreased to HK$3,678 million (2006: HK$4,951 million). The Group's net debt[6] was HK$21,990 million as at December 31, 2007 compared to HK$19,725 million as at December 31, 2006. The increase in net debt was mainly due to cash invested in property development projects, and investments made by the Group during the year.

The Group continued to prudently manage its debt profile. On January 24, 2007, the Group exercised an option under the US$456 million 7.88% guaranteed notes due 2013 and redeemed the notes in full prior to its maturity. On January 29, 2007, the Group further redeemed in full the US$450 million 1% guaranteed convertible bonds upon maturity.

As at December 31, 2007, the Group had a total of HK$16,972 million in committed banking facilities available for liquidity, of which HK$6,798 million remained undrawn.

The Cyberport project continued to generate surplus proceeds from the sale of Bel-Air units. Through proceeds received primarily from the Cyberport project, PCPD fully repaid the Cyberport loan of HK$4,827 million to the PCCW Group in 2007, of which HK$1,195 million was repaid in 2007.

The Group's gross debt[6] to total assets improved to 50% as at December 31, 2007 (2006: 59%).

Credit Ratings of PCCW-HKT Telephone Limited

As at December 31, 2007, PCCW-HKT Telephone Limited ("HKTC"), an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Standard & Poor's Ratings Services (BBB/Positive), Moody's Investors Service (Baa2/Positive) and Fitch Ratings (BBB+/Stable).

CAPITAL EXPENDITURE[7]

Group capital expenditure for the year ended December 31, 2007 decreased to HK$3,238 million (2006: HK$3,366 million). Further investments to upgrade our new generation network in 2007 were offset by lower investment in our improved mobile network. PCCW will continue to invest prudently, using assessment criteria including internal rate of return, net present value and payback period.

HEDGING

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

In the normal course of business, the Group enters into forward contracts and other derivative contracts in order to limit its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions, and all contracts are denominated in currencies of major industrial countries. As at December 31, 2007, all cross currency swap contracts were designated as cash flow hedges for the Group’s foreign currency denominated long-term liabilities.

CHARGE ON ASSETS

As at December 31, 2007, certain assets of the Group with an aggregate carrying value of HK$25 million (2006: HK$119 million) were pledged to secure loans and banking facilities of the Group.

CONTINGENT LIABILITIES

As at December 31, HK$ million	**2007**	2006
Performance guarantee	**841**	611
Others	**80**	29
	921	640

a. HKTC was in dispute with Hong Kong’s Inland Revenue Department (the “IRD”) regarding the deductibility of certain finance expenses. The IRD had raised assessments for part of the disputed finance expenses for the years of assessment 2000/01 to 2005/06 on April 21, 2005, February 3, 2006 and February 5, 2007. HKTC had lodged objections to the assessments. The dispute was fully settled in December 2007.

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

HUMAN RESOURCES

As at December 31, 2007, the Group had approximately 15,800 employees (2006: 14,500). About three quarters of these employees work in Hong Kong and the others are based outside Hong Kong, primarily in mainland China. The Company has established incentive bonus schemes designed to motivate and reward employees at all levels to achieve the Company’s business performance targets. Payment of bonuses is generally based on achievement of EBITDA[2] and net profit after tax targets for the Group as a whole, and revenue and EBITDA[2] targets for the Company’s individual businesses. The Company also operates a discretionary employee share option scheme and two share award schemes to motivate employee performance to enhance shareholders’ value.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of 13.5 HK cents (2006: 12 HK cents) per share for the year ended December 31, 2007 subject to the approval of shareholders of the Company at the forthcoming annual general meeting. An interim dividend of 6.5 HK cents (2006: 6.5 HK cents) per share for the six months ended June 30, 2007 was paid by the Company on October 8, 2007.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders' entitlements to the proposed final dividend, the Register of Members will be closed from May 26, 2008 to May 29, 2008 (both days inclusive), during which period no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend of 13.5 HK cents per share, all transfers, accompanied by the relevant share certificates, should be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Transfer Office, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration no later than 4:30 p.m. on May 23, 2008. Dividend warrants will be dispatched to shareholders of the Company on or around June 6, 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2007, neither the Company nor its subsidiaries purchased, sold or redeemed any of its listed securities.

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, 2007.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles and complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the year ended December 31, 2007.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.pccw.com) and Hong Kong Exchanges and Clearing Limited (www.hkex.com.hk). The 2007 annual report will be dispatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
PCCW Limited
Philana WY Poon
Group General Counsel and Company Secretary

Hong Kong, March 6, 2008

AUDITED CONSOLIDATED RESULTS
For the year ended December 31, 2007
(In HK$ million except for earnings per share and dividends per share)

	Note	**2007**	2006 *(note 15)*
Turnover	2	**23,715**	25,637
Cost of sales		**(10,538)**	(12,973)
General and administrative expenses		**(9,144)**	(8,904)
Other (losses)/gains, net	3	**(3)**	42
Losses on property, plant and equipment		**(7)**	(11)
Interest income		**429**	732
Finance costs		**(1,658)**	(2,008)
Share of results of associates		**25**	37
Share of results of jointly controlled companies		**(12)**	–
Profit before taxation	4	**2,807**	2,552
Income tax	5	**(970)**	(920)
Profit for the year	2	**1,837**	1,632
Attributable to:			
Equity holders of the Company		**1,503**	1,252
Minority interests		**334**	380
Profit for the year		**1,837**	1,632
Dividends payable to equity holders of the Company attributable to the year:	6		
Interim dividend declared and paid during the year		**440**	438
Final dividend proposed after the balance sheet date		**915**	811
		1,355	1,249
Earnings per share	7		
Basic		**22.21 cents**	18.59 cents
Diluted		**22.18 cents**	18.54 cents
Dividends per share	6		
Interim		**6.50 cents**	6.50 cents
Final		**13.50 cents**	12.00 cents

AUDITED CONSOLIDATED BALANCE SHEET
As at December 31, 2007
(In HK$ million)

	Note	2007	2006 *(note 15)*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**16,852**	16,497
Investment properties		**3,920**	3,639
Interests in leasehold land		**615**	1,140
Properties held for/under development	8	**1,671**	2,039
Goodwill		**3,016**	3,140
Intangible assets		**1,638**	1,349
Interest in associates		**655**	637
Interest in jointly controlled companies		**316**	10
Held-to-maturity investments		**6**	12
Available-for-sale financial assets		**321**	496
Amounts due from related companies		**9**	16
Net lease payments receivable		**91**	203
Deferred tax assets		**216**	174
Other non-current assets		**471**	359
		29,797	29,711
Current assets			
Properties under development	8	**8,436**	1,231
Properties for sale		**697**	290
Sales proceeds held in stakeholders' accounts	9	**2,425**	3,472
Restricted cash	10	**682**	5,128
Prepayments, deposits and other current assets		**2,007**	1,361
Inventories		**854**	544
Amounts due from related companies		**16**	44
Derivative financial instruments		**43**	–
Financial assets at fair value through profit or loss		**12**	50
Accounts receivable, net	11	**2,709**	2,580
Tax recoverable		**1**	64
Cash and cash equivalents		**3,678**	4,951
		21,560	19,715

AUDITED CONSOLIDATED BALANCE SHEET (CONTINUED)
As at December 31, 2007
(In HK$ million)

	Note	**2007**	2006 *(note 15)*
Current liabilities			
Short-term borrowings		**(10,174)**	(13,995)
Derivative financial instruments		**(13)**	(555)
Accounts payable	12	**(1,264)**	(1,022)
Accruals and other payables		**(4,785)**	(4,989)
Amount payable to the Government under the Cyberport Project Agreement	13	**(5,178)**	(1,914)
Mobile carrier licence fee liabilities		**(67)**	(58)
Amounts due to related companies		**(539)**	(886)
Gross amount due to customers for contract work		**(7)**	(7)
Advances from customers		**(3,434)**	(1,437)
Current taxation		**(684)**	(794)
		(26,145)	(25,657)
Net current liabilities		**(4,585)**	(5,942)
Total assets less current liabilities		**25,212**	23,769
Non-current liabilities			
Long-term borrowings		**(15,505)**	(15,438)
Deferred tax liabilities		**(2,150)**	(2,179)
Deferred income		**(719)**	(1,015)
Defined benefit liability		**(9)**	(11)
Amount payable to the Government under the Cyberport Project Agreement	13	**(1,741)**	(1,591)
Mobile carrier licence fee liabilities		**(532)**	(539)
Other long-term liabilities		**(205)**	(97)
		(20,861)	(20,870)
Net assets		**4,351**	2,899
CAPITAL AND RESERVES			
Share capital		**1,695**	1,688
Deficit		**(143)**	(1,258)
Equity attributable to equity holders of the Company		**1,552**	430
Minority interests		**2,799**	2,469
Total equity		**4,351**	2,899

NOTES

1. BASIS OF PREPARATION AND CRITICAL ACCOUNTING ESTIMATES

The accounting policies and methods of computation used in preparing these audited consolidated financial statements are consistent with those followed in preparing the annual financial statements of PCCW Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended December 31, 2006, 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, 2007. The HKFRSs include all individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants. The adoption of these new and revised HKFRSs has not led to any significant changes in the accounting policies applied in these financial statements, and has no material effect on the Group's results and financial position for the current or prior accounting periods reflected in these financial statements. They did however give rise to additional disclosures as stated below:

- HKFRS 7 "Financial Instruments: Disclosures", which requires disclosures on the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

- Amendment to HKAS 1 "Presentation of Financial Statements – Capital Disclosures", which introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital.

- HK(IFRIC)-Int 8 "Scope of HKFRS 2", which requires HKFRS 2 "Share-based Payment" to be applied to any arrangements in which some or all of the goods received cannot be specifically identified, in particular where equity instruments are issued for consideration which appears to be less than the fair value.

- HK(IFRIC)-Int 9 "Reassessment of Embedded Derivatives", which requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract, with reassessment only if there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract.

- HK(IFRIC)-Int 10 "Interim Financial Reporting and Impairment", which prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date.

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

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

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

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

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

The useful lives are estimated at the time of purchase of these assets after considering future technology changes, business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends, rapid advancement in technology and significant downturns in the Company's stock price. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

During the year ended December 31, 2007, the Group performed an annual review to reassess the useful lives of certain exchange equipment, transmission plant and other plant and equipment of the Group, based on the expectations of the Group's operational management and technological trend. The reassessment has resulted in a change in the estimated useful lives of these assets. The Group considers this to be a change in accounting estimate and has therefore accounted for the change prospectively from July 1, 2007. As a result of this change in accounting estimate, the Group's profit for the year and the net assets as at the year end have both been increased by HK$66 million.

ii. Impairment of assets (other than investments in debt and equity securities and other receivables)

At each balance sheet date, the Group reviews internal and external sources of information to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- interests in leasehold land;
- intangible assets;
- investments in subsidiaries, associates and jointly controlled companies; and
- goodwill.

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

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

ii. Impairment of assets (other than investments in debt and equity securities and other receivables) *(continued)*

The sources utilized to identify indications of impairment are often subjective in nature and the Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at any given balance sheet date. Such information is particularly significant as it relates to the Group's telecommunications services and infrastructure businesses in Hong Kong.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable value, representing the greater of the asset's fair value less cost to sell or its value in use. Depending on the Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Group may perform such assessment utilizing internal resources or the Group may engage external advisors to counsel the Group in making this assessment. Regardless of the resources utilized, the Group is required to make many assumptions to make this assessment, including the utilization of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

iii. Revenue recognition

Telecommunications service revenue based on usage of the Group's network and facilities is recognized when the services are rendered. Telecommunications revenue for services provided for fixed periods is recognized on a straight-line basis over the respective period. In addition, up-front fees received for installation of equipment and activation of customer service are deferred and recognized over the expected customer relationship period. The Group is required to exercise considerable judgement in revenue recognition particularly in the areas of customer discounts, customer disputes and stabilized churn rate. Significant changes in management estimates may result in material revenue adjustments.

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

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

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

iv. Amount payable to the Government under the Cyberport Project Agreement

Pursuant to an agreement dated May 17, 2000 entered into with the Government of Hong Kong (the "Government") in respect of the Cyberport project (the "Cyberport Project Agreement"), the Government is entitled to receive approximately 65% of the surplus cash flow earned from the Cyberport project. The amounts paid and payable to the Government are part of the Group's costs of developing the Cyberport project.

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

The estimated cost of developing the Cyberport project, including construction costs and the amounts paid and payable to the Government, is allocated to cost of properties sold on a systematic basis over the life of the project using a relative value approach. This approach considers the value of development costs attributable to phases for which revenue has been recognized to date relative to the total expected value of development costs for the development as a whole. The revision of estimates of these relative values during 2007 has resulted in the costs of properties sold recorded in the year ended December 31, 2007 being reduced by approximately HK$388 million.

v. Deferred taxation

While deferred tax liabilities are provided in full on all taxable temporary differences, deferred 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 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 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 tax assets and taxation expense would be made.

vi. Current tax

The Group makes a provision for current tax based on estimated income tax liabilities. The estimated income tax liabilities are primarily computed based on the tax computation as prepared by the Group. Nevertheless, from time to time, there are cases of disagreements with the tax authorities of Hong Kong and elsewhere on the tax treatment of items included in the tax computations. If the Group considers it probable that these disputes would result in additional tax payments, the most likely amount of the payment will be estimated and adjustments to the tax expenses and tax liabilities will be made accordingly.

vii. Recognition of intangible asset – Mobile carrier licence

In order to measure the intangible assets, HKAS 39 "Financial Instruments: Recognition and Measurement" is applied for recognition of the minimum annual fee and royalty payments as they constitute contractual obligations to deliver cash and, hence, should be considered as financial liabilities. To establish the fair value of the minimum annual fee and royalty payments for the right of use of the mobile carrier licence, the discount rate used is an indicative incremental borrowing rate estimated by the management. 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.

2. SEGMENT INFORMATION

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

a. Business segments

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

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

2. SEGMENT INFORMATION (CONTINUED)

For the year ended December 31, 2006
(In HK$ million)

	TSS	TV & Content*	Mobile	PCCW Solutions	PCPD	Other Businesses*	Eliminations	Consolidated
REVENUE								
Total revenue	15,374	1,002	1,236	1,652	7,263	328	(1,218)	25,637
RESULTS								
Segment results	4,950	(439)	(701)	108	912	(411)	–	4,419
Unallocated corporate expenses								(628)
Interest income								732
Finance costs								(2,008)
Share of results of associates	37	–	–	–	–	–	–	37
Profit before taxation								2,552
Income tax								(920)
Profit for the year								1,632

* Certain comparative figures have been restated to conform with the business segment presentation in the current year since the Group's directories business, previously included in Other Businesses, has been reclassified to TV & Content.

b. Geographical segments

In HK$ million	Revenue from external customers 2007	2006
Hong Kong	**21,229**	23,506
Mainland China (excluding Hong Kong) and Taiwan	**1,691**	1,549
Others	**795**	582
	23,715	25,637

3. OTHER (LOSSES)/GAINS, NET

In HK$ million	**2007**	2006
Net realized gains on disposals of available-for-sale financial assets	**79**	88
Net realized and unrealized gains on financial assets at fair value through profit or loss	**8**	17
Impairment loss on goodwill	**(58)**	–
Provision for impairment of investments	**(60)**	(40)
Write back of impairment loss on interest in an associate	**1**	–
Provision for rental guarantee (note a)	**(36)**	–
Net realized and unrealized fair value gains/(losses) on derivative financial instruments	**62**	(110)
Fair value gains on investment properties	**3**	1
Dividend income	**–**	6
Unclaimed dividend payable by a subsidiary written back	**2**	2
Write back of provision for loss on legal claims	**–**	105
Net gain on cash flow hedging instruments transferred from equity	**9**	–
Other impairment loss	**(20)**	(25)
Others	**7**	(2)
	(3)	42

a. Under the formal property sale and purchase agreement dated December 21, 2004 in respect of the disposal of PCCW Tower, on completion of the disposal, there is a rental guarantee pursuant to which Partner Link Investments Limited, an indirect wholly-owned subsidiary of PCPD, has undertaken to the purchaser that it would pay a guaranteed net monthly rental of approximately HK$13.3 million to the purchaser for a period of 5 years commencing from February 8, 2005, i.e. the date following completion of the disposal of PCCW Tower. During the year, the Group recorded a net loss of approximately HK$27 million, representing the net cash outflow under the rental guarantee. In addition, the Group also made a provision of approximately HK$9 million in relation to the rental guarantee over the remaining term of the rental guarantee.

4. PROFIT BEFORE TAXATION

Profit before taxation is stated after crediting and charging the following:

In HK$ million	**2007**	2006
Crediting:		
Revenue from properties sold	**2,797**	6,950
Dividend income from		
– listed investments	–	5
– unlisted investments	–	1
Gain on disposal of property, plant and equipment, investment properties and interests in leasehold land	**7**	–
Charging:		
Cost of sales, excluding properties sold	**8,606**	6,986
Cost of properties sold	**1,932**	5,987
Depreciation of property, plant and equipment	**2,795**	2,776
Amortization of intangible assets	**445**	232
Amortization of land lease premium	**30**	28
Loss on disposal of property, plant and equipment	–	25
Interest on borrowings	**1,597**	1,949
Staff costs	**2,785**	2,803

5. INCOME TAX

In HK$ million	**2007**	2006
Hong Kong profits tax	**1,021**	1,116
Overseas tax	**47**	(12)
Recovery of deferred taxation	**(98)**	(184)
	970	920

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Overseas taxation has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

6. DIVIDENDS

In HK$ million	**2007**	2006
Interim dividend declared and paid of 6.5 HK cents (2006: 6.5 HK cents) per ordinary share	**440**	438
Final dividend proposed after the balance sheet date of 13.5 HK cents (2006: 12 HK cents) per ordinary share	**915**	811
	1,355	1,249

The final dividend proposed after the balance sheet date has not been recognized as a liability at the balance sheet date.

7. EARNINGS PER SHARE

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

	2007	2006
Earnings (in HK$ million)		
Earnings for the purpose of basic and diluted earnings per share	**1,503**	1,252
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**6,766,664,377**	6,735,317,874
Effect of deemed issue of shares under the Company's share option schemes for nil consideration	**8,685,600**	17,122,267
Effect of shares purchased from the market under the Company's share award schemes	**2,401,495**	1,340,381
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**6,777,751,472**	6,753,780,522

The US$450 million 1% guaranteed convertible bonds due 2007 outstanding as at December 31, 2006 had an anti-dilutive effect on the basic earnings per share for the year ended December 31, 2006. The convertible bonds were fully redeemed in January 2007.

8. PROPERTIES HELD FOR/UNDER DEVELOPMENT

In HK$ million	**2007**	2006
Properties under development (note a)	**9,291**	3,270
Properties held for development (note b)	**816**	–
	10,107	3,270
Less: Amounts classified as current assets	**(8,436)**	(1,231)
Amounts classified as non-current assets	**1,671**	2,039

a. Pursuant to the Cyberport Project Agreement, the Group was granted an exclusive right and obligation to design, develop, construct and market the Cyberport project at Telegraph Bay on the Hong Kong Island. The Cyberport project consists of commercial and residential portions. The completed commercial portion was transferred to the Government at no consideration. The associated costs incurred have formed part of the development costs of the residential portion. Pre-sales of the residential portion of the Cyberport project commenced in February 2003.

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

9. SALES PROCEEDS HELD IN STAKEHOLDERS' ACCOUNTS

The balance represents proceeds from the sales of the residential portion of the Cyberport project retained in bank accounts opened and maintained by stakeholders. These amounts will be transferred to specific bank accounts, which are restricted in use, pursuant to certain conditions and procedures as stated in the Cyberport Project Agreement.

10. RESTRICTED CASH

Pursuant to the Cyberport Project Agreement, the Group has a restricted cash balance of approximately HK$575 million as at December 31, 2007 (2006: HK$826 million) held in specific bank accounts. The uses of the funds are specified in the Cyberport Project Agreement.

In addition, the Company has set aside a total cash balance of approximately HK$106 million as at December 31, 2007 (2006: HK$4,301 million) in connection with the release of undertakings in relation to the capital reduction of the Company.

The remaining HK$1 million as at December 31, 2007 (2006: HK$1 million) represented a bank deposit placed by an indirect subsidiary of the Company as a security for a bank guarantee issued in respect of the use of facilities at the Hong Kong International Airport for the provision of mobile services.

11. ACCOUNTS RECEIVABLE, NET

An aging analysis of accounts receivable is set out below:

In HK$ million	**2007**	2006
0 – 30 days	**1,584**	1,759
31 – 60 days	**461**	370
61 – 90 days	**209**	143
91 – 120 days	**142**	111
Over 120 days	**591**	463
	2,987	2,846
Less: Impairment loss for doubtful debts	**(278)**	(266)
	2,709	2,580

Accounts receivable in respect of properties sold is payable by the purchasers pursuant to the terms of the sales contracts. Other accounts receivable has 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. Credit evaluations are performed on all customers requiring credit over a certain amount. Debtors who have overdue payable are requested to settle all outstanding balances before any further credit is granted.

12. ACCOUNTS PAYABLE

An aging analysis of accounts payable is set out below:

In HK$ million	2007	2006
0 – 30 days	**721**	598
31 – 60 days	**134**	90
61 – 90 days	**29**	16
91 – 120 days	**24**	54
Over 120 days	**356**	264
	1,264	1,022

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

In HK$ million	2007		
	Government Share under the Cyberport Project Agreement (Note a)	**Others**	**Total**
Beginning of year	**3,480**	**25**	**3,505**
Additional amount payable included in properties under development	**6,745**	**–**	**6,745**
Additional amount payable	**–**	**33**	**33**
Settlement during the year	**(3,339)**	**(25)**	**(3,364)**
End of year	**6,886**	**33**	**6,919**
Less: Amounts classified as current liabilities	**(5,145)**	**(33)**	**(5,178)**
Amounts classified as non-current liabilities	**1,741**	**–**	**1,741**

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

14. POST BALANCE SHEET EVENTS

The following event occurred subsequent to December 31, 2007 and up to the date of approval of these financial statements by the Board:

On February 12, 2008, an indirect wholly-owned subsidiary of the Company requested the board of directors of PCPD to put forward a proposal to the shareholders other than Asian Motion Limited ("Asian Motion"), a wholly-owned subsidiary of the Company with approximately 61.53% interest in PCPD, regarding a proposed privatization of PCPD by way of a scheme of arrangement under section 99 of the Companies Act 1981 of Bermuda (as amended) (the "Proposal"). Under the Proposal, all the shares in PCPD held by its shareholders other than Asian Motion will be cancelled in exchange for the payment to each shareholder other than Asian Motion of an amount of HK$2.85 in cash for each share. The amount of cash required in order to effect the Proposal is approximately HK$2,642 million, which will be financed from available financial resources of the Group. Upon the scheme becoming effective, the listing of PCPD's shares on The Stock Exchange of Hong Kong Limited would be withdrawn and PCPD would become an indirect wholly-owned subsidiary of the Company.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

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

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

Non-Executive Directors:
Sir David Ford, KBE, LVO; Zhang Chunjiang; Zuo Xunsheng (Deputy Chairman); Li Fushen

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

Forward-Looking Statements

This announcement contains certain forward-looking statements. The words "believe", "intend", "expect", "anticipate", "project", "estimate", "predict", "is confident", "has confidence" and similar expressions are intended to identify forward-looking statements. These statements are not historical facts or guarantees of future performance. Actual results could differ materially from those expressed, implied or forecasted in such forward-looking statements. Such forward-looking statements are based on the current beliefs, assumptions, expectations, estimates and projections of the directors and management of PCCW about the business, the industry and the market in which PCCW operates, and are subject to risks, uncertainties and other factors that could significantly affect expected results.