

HKT[®]

Annual Report 2021

Stock Code: 6823



a **PCCW** Group member

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CORPORATE PROFILE

HKT is Hong Kong's premier telecommunications service provider and a leading innovator. Its fixed-line, broadband, mobile communication and media entertainment services offer a unique quadruple-play experience. HKT meets the needs of the Hong Kong public and local and international businesses with a wide range of services including local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, FinTech, e-Commerce, Big Data Analytics, media entertainment including the provision of interactive pay-TV services, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting and contact centers.

HKT is the first local mobile operator to launch a true 5G network in Hong Kong with differentiated value-added services. Backed by its substantial holding of 5G spectrum across all bands and a robust and extensive fiber backhaul infrastructure, HKT is committed to providing comprehensive 5G network coverage across the city.

HKT delivers end-to-end integrated solutions employing emerging technologies such as 5G, cloud computing, Internet of Things ("IoT") and artificial intelligence ("AI") to accelerate the digital transformation of enterprises and contribute to Hong Kong's development into a smart city.

Riding on its massive loyal customer base, HKT has also built a digital ecosystem integrating its loyalty program, e-Commerce, travel, insurance, Big Data Analytics, FinTech and HealthTech services. The ecosystem deepens HKT's relationship with its customers thereby enhancing customer retention and engagement.

Employing over 15,400 staff, HKT is headquartered in Hong Kong and maintains a presence in mainland China as well as other parts of the world.

The share stapled units of the HKT Trust and HKT Limited are listed on The Stock Exchange of Hong Kong Limited (SEHK: 6823).

To learn more about some of our brands and our services, please turn over the page.



HKT's fixed-line service provides reliable local and international call services for its residential and business users. **eye** Smart Communications Service delivers high-quality audio and video call functionality and access to more than 100 pre-installed educational and infotainment apps suitable for the entire family.



HKT is the largest broadband service provider in Hong Kong with its territory-wide fiber network covering 90% of homes. Combined with 5G wireless-to-the-home technology, we cover 98% of all households. We meet customers' different needs through the HKT Premier, NETVIGATOR and LIKE100 brands. We also provide a range of value-added services such as Home Wi-Fi and Smart Living solutions to ensure a high-quality and safe online experience, as well as to meet customers' aspirations for a smarter home.



CSL Mobile provides comprehensive mobile voice and data services via the csl and 1010 brands. With a substantial amount of 5G spectrum and a robust and extensive fiber-backed network infrastructure, CSL Mobile is uniquely positioned to offer a differentiated 5G experience. A variety of 5G applications are available including 4K live streaming, VR content, AR experience with virtual content, 24-bit music and 5G mobile gaming.

SUN Mobile is a joint venture offering mobile voice and data services at affordable prices.



Now TV is the leading pay-TV service in Hong Kong, delivering world class and exclusive Hollywood content, Korean drama, and popular sports content to customers using IPTV technology. Its programs can be accessed through linear TV channels, on demand and via mobile apps. Now E is a one-stop entertainment platform featuring Asian dramas and movies, and sports content.



HKT Enterprise Solutions

In addition to connectivity services, HKT provides digital solutions leveraging emerging technologies such as 5G, AI, IoT, cloud computing, data analytics and robotics for different vertical industries. Powered by our best-in-class fixed and mobile networks, HKT Enterprise Solutions enables enterprises to enhance operational efficiency and gain business insights.



PCCW Global

PCCW Global is a leading international communications service provider, offering the latest mobility, voice and data solutions to multinational enterprises, telecommunications partners, cloud and application service providers.

PCCW Global operates a Tier-1 global Internet backbone and the Console Connect Software Defined interconnection platform. Console Connect can be accessed from close to 600 data centers worldwide in more than 55 countries.



HKT's digital ecosystem integrates its loyalty program, e-Commerce, travel, insurance, Big Data Analytics, FinTech and HealthTech services. The Club is HKT's loyalty program and digital ventures arm, operating HKT's online shopping platform, travel agency and insurance businesses.

HKT Financial Services provides a wide range of service offerings for consumers and merchants including mobile payments, merchant services, O2O solutions and mobile financing platform, under the banner of Tap & Go, HKT Merchant Services and HKT Flexi.

HKT also operates DrGo, an innovative HealthTech platform in Hong Kong, extending convenient telemedicine services.

STATEMENT FROM THE CHAIRMAN

HKT posted solid operational results and steady growth in adjusted funds flow (“AFF”) for 2021, as Hong Kong began pulling itself out of two years of recession.

With remote work and learning still prevalent during the year, the need for fast and reliable broadband connection remained strong, leading to sustainable net gain in the number of subscribers and higher uptake of fiber-to-the-home (“FTTH”). Meanwhile, the demand for smart homes also increased, which helped offset the pricing pressure in the mass segment. In support of the Government’s initiative to broaden fiber-optic internet access to remote neighborhoods, HKT rolled out works in 16 villages during the reporting year. Together with 5G wireless-to-the-home (“WTTH”) technology, our high-speed broadband access now covers 98% of homes in Hong Kong.

Encouraged by an ever-expanding ecosystem of applications, customer uptake of our 5G service continued, with the penetration rate reaching 21% of our mobile customer base by year end. Customer demand was also driven by cross-Group campaigns, such as our MIRROR 5G plan, which deploys augmented reality (“AR”) and virtual reality (“VR”) apps and unleashes creativity in the metaverse, thereby creating a new customer journey and lifting ARPU. During the second half of the year, we successfully bid for additional mobile spectrum to ensure an optimal experience for our customers, now and into the future.

Now TV has further cemented its status as the Home of Sports by securing broadcast rights to exciting world-class sporting events, including English Premier League for the next three seasons. Moreover, we strengthened our non-sports lineup with the introduction of new self-curated channels, as well as educational programming. Coupled with our quad-play advantage, Now TV’s content strategy has enabled us to provide relevant and valuable service to our customers.

The pandemic has further fueled the need for digital transformation in the enterprise and public sectors. Our integrated suite of services and solutions incorporating 5G and the latest emerging technologies, such as IoT,

AI and robotics, enabled a new generation of digital applications. These have effectively served a range of industry verticals, such as healthcare, property and smart city, bolstering efficiency and performance whilst driving growth for our enterprise business.

Riding on the trend of accelerated consumer adoption of digital services for convenience, our “redeem and shop” offerings presented by The Club have proven efficacious in building customer loyalty and stickiness. Due in part to the flywheel effect, the platform’s growing membership and gross merchandise value (“GMV”), which more than doubled that of the previous year, are testament of its success in connecting customers and merchants. Likewise, our DrGo service features a user-friendly telemedicine platform, providing easy access to medical consultation as well as a range of high-quality medical and healthcare products.

With the imminent interest rate hikes, we have witnessed elevated volatility in the financial markets throttling the upturn of the local economy. Furthermore, the emergence of the fifth wave of COVID-19 brought on by the Omicron variant has hindered the city’s return to normalcy. However, with the strategic investments we have made and our resilient, diversified business portfolio, I believe we are well positioned to deliver on our long-term objective of producing stable return for our shareholders upon the wane of the pandemic.



Richard Li

Chairman

February 24, 2022

STATEMENT FROM THE GROUP MANAGING DIRECTOR

In 2021, the local pandemic situation had stabilized, enabling the economy to regain some of its strength, only to be set back by the Omicron variant as we entered the new year. Nevertheless, as Hong Kong sought to settle further into the new normal, HKT led the charge with continuous innovation underpinned by our resilient networks. The Company recorded solid results and a steady rise in AFF for the year ended December 31, 2021 on the back of its well-established fixed-line and mobile businesses as well as enterprise services.

Providing critical connectivity in the city

Demand for fast and reliable connectivity is as strong as ever, as businesses and individuals moved on with the new normal. Our total consumer broadband base – comprising customers of HKT Premier, NETVIGATOR, and LiKE100 – recorded a slight gain despite fierce price competition and increased line terminations due to households relocating overseas.

Penetration of our FTTH broadband services continued to rise steadily, directly bridging users' homes and the exchange with high-quality, low-latency connections. With fiber network coverage of 90% of Hong Kong households, HKT now serves more than 944,000 customers with FTTH connections. Drawing on the appeal of ViuTV's MIRROR and leveraging our group synergy, NETVIGATOR hosted a concert with MOOV in December featuring the boy band to drive retention and subscription to our broadband and value-added services with a significantly higher ARPU uplift. The event has also strengthened NETVIGATOR's brand bonding with the young people segment.

Smart Living services, in particular Home Wi-Fi router solutions, continued to be in demand and help raise overall ARPU. On the B2B side, we completed the pre-installation of smart home systems in many residential properties. By offering solutions to address the ongoing demand for new technology home applications, we are set to enhance quality of life in the digital age.

Alluring 5G services on a ubiquitous network

Our 5G post-paid subscriber base expanded steadily in 2021. Penetration reached 21% by the end of 2021, beating the 20% target and providing an average ARPU uplift of HK\$70. Despite the pandemic's devastating impact on our roaming revenue, overall mobile service revenue remained steady. Meanwhile, mobile handset sales for the year increased notably due to consumer upgrades to 5G devices amid improved sentiment and the release of new handsets, in particular the iPhone 13 series, which entered the market in September to a hearty reception, as well as customers' appreciation of our total 5G experience.

Also spurring customer subscriptions was the csl 5G x MIRROR campaign unveiled in November, which offered a dozen new service plans bundled with 5G-enabled entertainment services such as Viu Premium and MOOV 24-bit music. Importantly, csl enhanced its AR customer experience to bring to life images of MIRROR members on collectable cards via the csl 5G Lens app. The mega campaign also featured traditional media such as TV commercials, alongside pop-up galleries and an unmissable AR outdoor billboard in Causeway Bay, which drew legions of MIRROR fans. The number of users of the csl 5G Lens app has jumped by more than 40% since the launch of the campaign. AR applications in conjunction with our 5G network have opened up outdoor-to-online advertising possibilities, enabling the proliferation of a B2B ecosystem.

As Hong Kong's leading telecommunications service provider, HKT is committed to offering the optimal 5G user experience. In 2021, we strengthened our 5G capacity and coverage for popular hiking trails, remote scenic spots, sea routes, high-traffic districts, prominent indoor areas, and premium venues such as private clubs. Furthermore, we have extended unique mobile coverage to Lok Ma Chau Loop to support the Government's development plan in the border area.

Our successful bid for 20MHz of newly assigned 5G spectrum in the 700MHz band is expected to strengthen our indoor reception and wide area coverage, including our capacity for the MTR, upon its deployment this year. As part of our spectrum holding in the 2.5/2.6GHz band will expire in March 2024, we also acquired 50MHz of spectrum in this band to safeguard our resources.

Exclusively on Now TV

Now TV enhanced the breadth and depth of its content slate, with broadcast rights spanning some of the best European football, Tennis Grand Slam, Formula One and exciting combat action. The successful renewal of its exclusive broadcast right for English Premier League ("PL") for another three seasons, from 2022/23 to 2024/25, demonstrates our commitment to Hong Kong fans of the most popular football league in the world. The new Multi Angle feature available for selected PL matches on Now TV's companion app, Now Player, offers a fully immersive experience. Moreover, the new social viewing feature, Watch Party, was extended to PL, enabling us to expand the football viewer base to non-football fans and create new advertising opportunities.

Besides sports, we offer award-winning documentaries and inspiring true stories on Now True, alongside a wide-ranging curation of Western drama for the Now Studio video-on-demand ("VOD") service, which supports our expansion in the hotel and catering industry. As for academic content, Now TV recently rolled out a one-stop online learning platform with tutoring service for junior secondary students, complementing its STEM offerings that have been available since 2019. We will continue to enrich our education ecosystem to differentiate ourselves from other direct-to-consumer ("D2C") players that focus on entertainment content.

The integration of Now TV has yielded desirable group synergy. Cross-selling of quad-play services, coupled with our all-round content proposition, including airing of the Tokyo Olympics, engendered an increase in Now TV's total installed base and advertising revenue. Now E, our subscription over-the-top ("OTT") service designed with millennial viewers and netizens in mind, offers the option of day passes to further attract casual viewers. Together, these initiatives have led to positive performance, with a significant increase in usage and revenue. While the pay-TV market in Hong Kong encountered headwinds with as many as half a dozen prominent D2C OTT players as well as families' relocation abroad, our swift response via the above measures has helped remedy the resulting challenges.

Enterprise digitalization

The trend of enterprise digitalization has gained prevalence in 2021. With a proven track record of delivering end-to-end solutions integrating emerging technologies, HKT Enterprise Solutions secured many new contracts from both the public and private sectors. Among our notable wins is the design and construction of a secure private cloud for a financial infrastructure provider to host critical applications for the banking and finance sector in Hong Kong.

The successful implementation of a signature project during the year for a well-known local jeweler with a vast store network across China led to the client's award of a new managed Wi-Fi project in the fourth quarter to support its smart retail applications. In the third quarter, one of the world's largest cosmetics companies also engaged us for SD-WAN with managed Wi-Fi solutions for its retail chain in Hong Kong and Macau.

5G in commercial and public sectors

While 5G is powerful on its own, when combined with technologies such as AI, IoT and VR, it opens the door to boundless opportunities in the enterprise and public sectors. Throughout 2021, we continued to monetize 5G by spearheading the development of relevant applications with partners in various industry verticals such as healthcare, property, and construction.

In healthcare, we have been engaged in building 5G infrastructure for a total of 10 public and private hospitals, and assisting them in implementing holomedicine, the Internet of Medical Things ("IoMT"), remote consultation, and robotics for patient care. A smart healthcare solution for one particular client was even extended to its hospital in Shenzhen. In the realm of property, our solutions have allowed building owners and managers to create a better experience for occupants, manage their assets with ease, and achieve greater energy efficiency. HKT is also contributing to the safety of construction sites by pairing 5G with 4K networked cameras and cloud-based video analytics for surveillance and monitoring.

An automated global platform

PCCW Global supports the growing connectivity requirements of enterprises through the Console Connect Software Defined Interconnection platform. New collaborations established during the year enriched the features of the platform and widened its scope for carriers and enterprises to quickly order and provision a range of services. It is home to a growing ecosystem of cloud, SaaS, IX, IoT, carrier and enterprise partners, directly interconnected by the platform's private high-performance network.

By the end of 2021, Console Connect's automated network covered close to 600 data centers across more than 55 countries worldwide. It is integrated with all major hyperscale cloud providers, including AWS, Google Cloud, IBM Cloud, Microsoft Azure, Alibaba Cloud and others.

A suite of digital offerings

HKT's loyalty program and digital ventures arm, The Club, has teamed up with more than 160 partners to provide exclusive services and experience to its over 3.5 million members. Sales revenue of the e-Commerce platform Club Shopping more than doubled that of a year ago. During the year, new points conversion programs were jointly launched with an international hotel group and a leading bank.

Tap & Go, one of HKT's FinTech initiatives, recorded significant growth in the number of merchant and consumer users, especially those in the young and tech-savvy segment. This added to substantial increases in both online and physical store transaction volumes over the same period a year ago. We are pleased to have played a role in the Consumption Voucher Scheme which helped invigorate the economy and advance electronic payment in Hong Kong.

Telemedicine service DrGo recorded a steady growth in customer registration numbers as patients increasingly sought high-quality and convenient medical care from the comfort of their own homes. Its online store, launched in the second half of last year, has continuously expanded its product categories, with supplements, skin and hair care products on top of medical services.

In the spirit of community

The Government began implementing its COVID-19 free vaccination program in early 2021 to safeguard public health. As a caring employer, HKT supported its employees in getting their first, second, and booster vaccine doses by offering them paid time off to rest.

In response to the Government's anti-epidemic measures, HKT offered smartphone workshops, a 24-hour service hotline, and dedicated ambassadors to teach the elderly to use the LeaveHomeSafe mobile app. Together with non-governmental organizations, we continued to support the needy with complimentary broadband and mobile services during these difficult times.

Outlook

Just as Hong Kong was gradually pulling itself out of the economic quagmire, the Omicron variant strain has thrown a spanner in the works. As before, HKT will continue to exercise vigilance against escalation of the pandemic situation and respond appropriately to protect our employees and customers while ensuring business continuity and our quality services.

Looking ahead, HKT will continue to maximize the synergy of our quad-play businesses and leverage the group assets of PCCW to establish new competitive edges to bolster our market-leading fiber broadband, mobile and pay-TV businesses, all of which turned in a robust performance last year despite the challenging market conditions.

With increasing consumer uptake, we will be able to further unlock the value of our 5G network and realize ARPU uplift through the development of AR and VR applications and content as part of our foray into the metaverse.

As a technological innovator in full support of Hong Kong's aspiration to become a smart city, HKT is also committed to helping enterprises and public bodies navigate their digital transformation journeys. Farther afield, we are constantly on the lookout for opportunities to contribute to the development of the Greater Bay Area.

Under the new normal, consumers are increasingly gravitating toward all things digital. HKT will continue to nurture its digital ecosystem, integrating its loyalty program and a host of online services meeting customers' health, banking, and other needs.

On November 29, 2021, HKT celebrated the 10th anniversary of its Hong Kong stock exchange listing. The numerous milestones achieved by the company in the past decade have been a collective effort of our staff, business partners, customers, and other supporters, for which we are truly grateful. Such collaborative efforts form a part of HKT's DNA, driving our energy and progress to give us a competitive advantage.

Having laid a solid foundation, HKT is poised for further growth when the economy regains its footing, as we are well placed to transform Hong Kong and the public's way of living with even more game-changing products and services.



Susanna Hui
Group Managing Director
February 24, 2022

HKT IN NUMBERS

 2.443M

exchange lines including
1.248M residential lines and
1.195M business lines

 1.637M

broadband access
lines including 1.461M
consumer lines (with 944K
FTTH lines) and 163K
business lines

 1.373M

installed base for Now TV

 4.770M

mobile subscribers
including 3.297M
post-paid subscribers
(with 680K 5G subscribers)

HKT



15,400+
staff



300+
sessions of healthy and
safety related training



Fiber and 5G WTTW cover
98% of homes

21,700+ Wi-Fi hotspots

Comprehensive 5G
network coverage with
3,000+ mobile cell sites



Global network has
131 points of presence
across **84** cities and
encompasses **70** cable
systems worldwide

Console Connect
can be accessed from
close to **600** data centers
in **55+** countries

3.603M **Tap & Go**
accounts in service

 **drago** **276K**
registered users



3.541M
members of The Club

Total revenue
HK\$33.961 billion

Total EBITDA
HK\$12.733 billion

Profit attributable to holders of
Share Stapled Units
HK\$4.808 billion

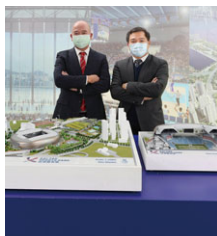
Adjusted funds flow
HK\$5.513 billion

Total distribution per
Share Stapled Unit
72.77 HK cents

SIGNIFICANT EVENTS IN 2021

FEBRUARY

HKT partners with a local construction firm to enable 5G smart construction at the Kai Tak Sports Park site.



HKT announces financial results for the year ended December 31, 2020.

APRIL

Tap & Go is chosen by the Government to deliver consumption vouchers to the public.



PCCW Global launches eSIM service for IoT deployment.



DrGo introduces an innovative hybrid hypertension care program with a local hospital and an insurance firm.

MARCH

DrGo partners with a local medical service provider to launch mental health and psychiatric video consultations.



A 5G Standalone network is launched to serve industrial-grade applications, including autonomous driving, smart healthcare, and Ultra High Definition video services.

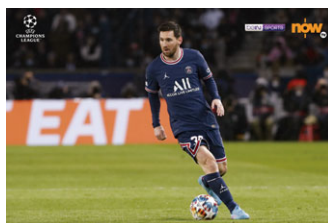


MAY

HKT empowers two of Hong Kong's business hubs in Admiralty and Quarry Bay with indoor and outdoor 5G connectivity.

JUNE

Now TV secures broadcasting rights to UEFA Champions League, UEFA Europa League, UEFA Europa Conference League and UEFA Youth League for three years.



A D2C online insurance platform Club Insurance is launched in partnership with a leading insurance provider.



JULY

Now TV broadcasts the Tokyo 2020 Olympics.



AUGUST

HKT reports financial results for the six months ended June 30, 2021.

SEPTEMBER

The Club partners with a bank to launch a points conversion program.

Console Connect expands its on-demand Network-as-a-Service in mainland China.

OCTOBER

Now TV brings Formula 1® to Hong Kong viewers for the 2021 and 2022 seasons.



HKT successfully bids for additional 5G spectrum in the 700 MHz and 2600 MHz bands.

NOVEMBER

CSL Mobile launches a new csl 5G x MIRROR campaign to promote 5G services and applications.



DECEMBER

HKT garners the Most Respected Organizations Award and a sustainability award from the Hong Kong Management Association.



HKT receives a special mention in the Corporate Governance Awards – Non-Hang Seng Index (Large Market Capitalization) Category, from the Hong Kong Institute of Certified Public Accountants.



NETVIGATOR and MOOV jointly host the NETVIGATOR Imagine Natives MOOV LIVE: Music On The Road concert, featuring MIRROR.



AWARDS

| Award | Awardee | Scheme Organizer |
|--|-------------|---|
| 01 Fintech Excellence Awards – Digital Service – 5G Mobile Services | csl | HK01 |
| 01 Gold Medal Awards – Excellence Award in 5G Mobile Network Service | csl | HK01 |
| 5 Years Plus Caring Company Logo | HKT | The Hong Kong Council of Social Service |
| ABF Retail Banking Awards 2021 – Consumer Finance Product of the Year – Hong Kong – New Consumer Lending Product of the Year – Hong Kong | HKT Flexi | Asian Banking & Finance |
| Asia Big Idea Chair Awards 2020 – Best Branded Content Campaign – Outstanding – Best Branded Content Campaign (Asia) – Merit – Best Innovative Experience – Outstanding – Best Innovative Experience (Asia) – Merit – Best Partnership Strategy – Outstanding – Big Idea Chair Champion 2020 – Asia Awards – Merit – Big Idea Chair Champion 2020 – Hong Kong Awards – Outstanding | csl | Verizon Media |
| Asia Communications Award 2021 – Network Automation Award | PCCW Global | Total Telecom |
| 25th Asian Television Awards – Best Documentary Programme (One-Off/Special) – Best Social Awareness Programme – Merit | Now TV | Television Asia Plus |
| Best Corporate Governance and ESG Awards 2021 – Corporate Governance – Non-Hang Seng Index (Large Market Capitalization) Category – Special Mention | HKT | Hong Kong Institute of Certified Public Accountants |



At the Best Corporate Governance and ESG Awards 2021, HKT receives the honor of Special Mention in the Corporate Governance – Non-Hang Seng Index (Large Market Capitalization) Category.

| Award | Awardee | Scheme Organizer |
|---|---|---|
| Best of I.T. Awards 2020-21 <ul style="list-style-type: none"> – Best of I.T. Enterprise Network SD-WAN Solutions – My Favorite 5G Mobile Network Service – My Favorite Home Broadband Service – My Favorite Pay TV Services | HKT Enterprise Solutions csl NETVIGATOR Now TV | PCM |
| CAHK STAR Awards 2020 <ul style="list-style-type: none"> – Best 5G Application – Gold – Best Fixed Network Operator – Gold – Best Mobile Network – Gold – Best 5G Mobile Operator – Gold – Best Enterprise Service – Gold – Best International Carrier – Gold – Best Video Streaming Service – Gold | HKT csl PCCW Global Now E | Communications Association of Hong Kong |
| CAHK STAR Awards 2021 <ul style="list-style-type: none"> – Best 5G Application – Gold – Best 5G Application – Bronze – Best 5G Connected Arena – Bronze – Best Fixed Network Operator – Gold – Best 5G Mobile Operator – Gold – Best Innovation for Future Enterprise – Silver – Best International Carrier – Gold – Best Video Streaming Service – Silver | HKT csl PCCW Global Now E | Communications Association of Hong Kong |
| The 21st CAPITAL Outstanding Enterprise Awards <ul style="list-style-type: none"> – Excellence 5G Digital Transformation Solutions Provider – Outstanding Business Broadband Services – Outstanding Fixed Line Service Provider – Outstanding Hybrid and Multi-Cloud Services | 1010 HKT | CAPITAL |



In 2021, HKT wins eight accolades at the CAHK STAR Awards.

AWARDS (CONTINUED)

| Award | Awardee | Scheme Organizer |
|--|---|--|
| Caring Company Logo – 2020-2021 Caring Company Logo | CSL | The Hong Kong Council of Social Service |
| CC-Global Awards 2021 – Most Inspirational & Influential Wholesale Executive | PCCW Global | Carrier Community |
| China Customer Contact Center Award 2021 – Excellent Service Award 2021 | HKT Teleservices | Customer Contact Center Branch, China Information Industry Association |
| Cyber Security Professionals Awards 2021 – Information & Communications Technology – Gold | HKT staff member | Hong Kong Police Force, the Government Computer Emergency Response Team Hong Kong and the Hong Kong Computer Emergency Response Team Coordination Centre |
| DCFever The Best Gadget Awards 2020 – Best of 5G Network Services – Premier Mobile Telecom 5G Services Provider | csl | <i>DCFever</i> |
| 53rd Distinguished Salesperson Award Programme – Distinguished Salesperson Award | 1010, csl, HKT Call Centre Services, HKT Consumer Group Call Center Sales, HKT Consumer Group Direct Sales, HKT Customer Service Center, HKT Education, HKT Premier, HKT Shop, HKT Smart Living, and Now TV staff members | The Hong Kong Management Association |



At the 53rd Distinguished Salesperson Award Programme, HKT scoops up a total of 36 accolades.

| Award | Awardee | Scheme Organizer |
|--|--|-----------------------------------|
| <ul style="list-style-type: none"> – Outstanding Young Salesperson Award | 1010, csl, HKT Call Centre Services, HKT Consumer Group Call Center Sales, HKT Consumer Group Direct Sales, HKT Education and Now TV staff members | |
| <p>e-Brand Awards 2021</p> <ul style="list-style-type: none"> – The Best Broadband Solution – The Best DX Partner – The Best SME Cloud Solution – The Best Telecommunication Network Service Provider – The Best Business Digital Marketing – The Best DX Partner – 5G Digital Transformation Solutions – The Best Pay TV – The Best Residential Fiber Broadband Service – The Best Smart Living Brand – IT Excellences | <p>HKT</p> <p>1010</p> <p>Now TV</p> <p>NETVIGATOR</p> <p>HKT Smart Living</p> <p>Business Technology Unit staff member</p> | <i>e-zone</i> |
| <p>Elite Awards 2020</p> <ul style="list-style-type: none"> – 5G Mobile Network Service Operators | 1010 | <i>Ming Pao Weekly</i> |
| <p>Financial Services Awards of Excellence 2021</p> <ul style="list-style-type: none"> – Excellence in Digital Mobile Financing Platform – Excellence in Enterprise Network Security Solution | <p>HKT Flexi</p> <p>HKT Enterprise Solutions</p> | <i>Hong Kong Economic Journal</i> |



HKT Smart Living is recognized as The Best Smart Living Brand at the e-Brand Awards 2021.

AWARDS (CONTINUED)

| Award | Awardee | Scheme Organizer |
|--|---|--|
| <p>FinTech Awards 2020</p> <ul style="list-style-type: none"> – FinTech Awards 2020 in Cloud – Outstanding Managed Cloud Solution – FinTech Awards 2020 in Cybersecurity/Anti-Fraud – Outstanding Cybersecurity Solution (Business) – FinTech Awards 2020 in Lending – Outstanding Digital Mobile Financing Platform | <p>HKT Enterprise Solutions</p> <p>HKT Flexi</p> | <p>ET Net</p> |
| <p>Fortinet HK Partner Award 2021</p> <ul style="list-style-type: none"> – Top MSSP Partner – Top Operational Technology Partner – Star Performer Award – BFSI – Star Performer Award – Retail | <p>HKT Enterprise Solutions</p> <p>HKT Enterprise Solutions staff members</p> | <p>Fortinet</p> |
| <p>2021 “Friends of EcoPark”</p> | <p>HKT</p> | <p>Environmental Protection Department</p> |
| <p>2021 Future Digital Awards – Telco Innovation</p> <ul style="list-style-type: none"> – Operator & Network Innovation – Network Virtualisation Innovation of the Year – Platinum | <p>PCCW Global</p> | <p>Juniper Research</p> |
| <p>2021 Golden Voice</p> <ul style="list-style-type: none"> – China Best Contact Center & Customer Experience Award – Best Technical Support – China Best Contact Center & Customer Experience Award – Best Manager | <p>HKT Teleservices</p> <p>HKT Teleservices staff member</p> | <p>51Callcenter</p> |
| <p>Greater Bay Area Outstanding Enterprise Awards 2021</p> | <p>HKT</p> | <p>HK01</p> |



HKT finds itself among the recipients of the Greater Bay Area Outstanding Enterprise Awards 2021.

| Award | Awardee | Scheme Organizer |
|---|--|--|
| Headline No. 1 Awards 2021 <ul style="list-style-type: none"> – No. 1 5G Mobile Service – No. 1 Business Broadband Service | <ul style="list-style-type: none"> csl HKT | <i>Headline Daily</i> |
| HKCCA Award 2021 <ul style="list-style-type: none"> – Best Contact Centre in Quality Assurance – Silver – Best Contact Centre in Technology Application – Bronze – Outsourced Contact Centre of the Year – Silver – Best Contact Centre in Training and People Development – Silver – Inbound Contact Centre of the Year (Telecommunications) – Bronze – Outbound Contact Centre of the Year (Telecommunications) – Silver – Greater China Contact Centre Alliance (GCCA) Recognition Award – Inbound Contact Centre of the Year (Living and Entertainment) – Gold – Inbound Contact Centre of the Year (Living and Entertainment) – Gold – Mystery Caller Assessment Award – Living and Entertainment – Gold – Inbound Contact Centre of the Year (Telecommunications) – Silver – Mystery Caller Assessment Award – Telecommunications – Gold 7 Consecutive Years | <ul style="list-style-type: none"> HKT Commercial Group – Diamond Commercial Contact Center & Enterprise Contact Center HKT Teleservices csl HKT Consumer Group csl – 1010 Personal Assistant Service HKT Consumer Group – DrGo Customer Service HKT Commercial Group – Diamond Commercial Contact Center | Hong Kong Customer Contact Association |



HKT scoops up a total of 55 accolades at the HKCCA Award in 2021.

AWARDS (CONTINUED)

| Award | Awardee | Scheme Organizer |
|---|---|------------------|
| <ul style="list-style-type: none"> – Inbound Contact Centre of the Year (Telecommunications) – Silver – Mystery Caller Assessment Award – Telecommunications – Gold 7 Consecutive Years | <ul style="list-style-type: none"> HKT Commercial Group – Enterprise Contact Center | |
| <ul style="list-style-type: none"> – Mystery Caller Assessment Award – Best of the Best – Mystery Caller Assessment Award – Living and Entertainment – Best-in-class – Mystery Caller Assessment Award – Living and Entertainment – Gold 7 Consecutive Years | <ul style="list-style-type: none"> HKT Consumer Group – Now TV Call Center Sales | |
| <ul style="list-style-type: none"> – Mystery Caller Assessment Award – Living and Entertainment – Gold 4 Consecutive Years | <ul style="list-style-type: none"> HKT Consumer Group – eye Dedicated Hotline | |
| <ul style="list-style-type: none"> – Mystery Caller Assessment Award – Living and Entertainment – Gold 7 Consecutive Years | <ul style="list-style-type: none"> HKT Consumer Group – Now TV Technical Support | |
| <ul style="list-style-type: none"> – Mystery Caller Assessment Award – Living and Entertainment – Gold 7 Consecutive Years | <ul style="list-style-type: none"> HKT Consumer Group – Smart Living Dedicated Hotline | |
| <ul style="list-style-type: none"> – Mystery Caller Assessment Award – Living and Entertainment – Gold | <ul style="list-style-type: none"> HKT – Now TV Outbound Call Centre | |
| <ul style="list-style-type: none"> – Mystery Caller Assessment Award – Telecommunications – Gold 5 Consecutive Years – Mystery Caller Assessment Award – Telecommunications – Gold 6 Consecutive Years | <ul style="list-style-type: none"> csl – 1010 Corporate Account Services | |
| <ul style="list-style-type: none"> – Mystery Caller Assessment Award – Telecommunications – Gold 3 Consecutive Years | <ul style="list-style-type: none"> csl Inbound Sales Hotline | |
| <ul style="list-style-type: none"> – Mystery Caller Assessment Award – Telecommunications – Gold 3 Consecutive Years | <ul style="list-style-type: none"> csl Outbound Telesales Sales – 1010 | |
| <ul style="list-style-type: none"> – Mystery Caller Assessment Award – Telecommunications – Gold 3 Consecutive Years | <ul style="list-style-type: none"> csl Outbound Telesales Sales – csl | |
| <ul style="list-style-type: none"> – Mystery Caller Assessment Award – Telecommunications – Gold 4 Consecutive Years | <ul style="list-style-type: none"> HKT Consumer Group – Fixed Line Customer Service | |
| <ul style="list-style-type: none"> – Mystery Caller Assessment Award – Telecommunications – Gold 4 Consecutive Years | <ul style="list-style-type: none"> HKT Consumer Group – Fixed Line Retention Hotline | |
| <ul style="list-style-type: none"> – Mystery Caller Assessment Award – Telecommunications – Gold 4 Consecutive Year | <ul style="list-style-type: none"> HKT Consumer Group – Fixed Line Technical Support | |
| <ul style="list-style-type: none"> – Mystery Caller Assessment Award – Telecommunications – Gold 3 Consecutive Years | <ul style="list-style-type: none"> HKT Consumer Group – HKT Premier Customer Service | |

| Award | Awardee | Scheme Organizer |
|---|---|------------------|
| – Mystery Caller Assessment Award – Telecommunications – Gold 3 Consecutive Years | HKT Consumer Group – HKT Premier Technical Support | |
| – Mystery Caller Assessment Award – Telecommunications – Gold 3 Consecutive Years | HKT Consumer Group – Language Center | |
| – Mystery Caller Assessment Award – Telecommunications – Gold 7 Consecutive Years | HKT Consumer Group – NETVIGATOR Broadband Upgrade Hotline | |
| – Mystery Caller Assessment Award – Telecommunications – Gold 5 Consecutive Years | HKT Consumer Group – NETVIGATOR CS Live Chat | |
| – Mystery Caller Assessment Award – Telecommunications – Gold 7 Consecutive Years | HKT Consumer Group – NETVIGATOR Customer Service | |
| – Mystery Caller Assessment Award – Telecommunications – Gold 4 Consecutive Years | HKT Consumer Group – NETVIGATOR TS Live Chat | |
| – Mystery Caller Assessment Award – Telecommunications – Gold | HKT Consumer Group – Outbound Center – Fixed Line | |
| – Mystery Caller Assessment Award – Telecommunications – Gold | HKT Consumer Group – Outbound Center – NETVIGATOR Broadband | |
| – Contact Centre Quality Assurance Professional of the Year – Bronze | HKT Consumer Group staff members | |
| – Digital Professional of the Year – Bronze | | |
| – Outbound Contact Centre Representative of the Year – Silver | | |
| – Outbound Contact Centre Team Leader of the Year – Bronze | | |
| – Contact Centre Recruitment Professional of the Year – Silver | csl staff members | |
| – Inbound Contact Centre Manager of the Year – Gold | | |
| – Inbound Contact Centre Manager of the Year – Silver | | |
| – Inbound Contact Centre Manager of the Year – Silver | | |
| – Inbound Contact Centre Manager of the Year – Silver | | |
| – Inbound Contact Centre Representative of the Year – Bronze | | |
| – Inbound Contact Centre Team Leader of the Year – Merit | | |
| – Outbound Contact Centre Manager of the Year – Merit | | |
| – Outbound Contact Centre Representative of the Year – Merit | | |
| – Outbound Contact Centre Representative of the Year – Merit | | |
| – Outbound Contact Centre Team Leader of the Year – Bronze | | |
| – Outbound Contact Centre Representative of the Year – Bronze | HKT Teleservices staff members | |
| – Outbound Contact Centre Team Leader of the Year – Bronze | | |

AWARDS (CONTINUED)

| Award | Awardee | Scheme Organizer |
|--|-------------------------------|---|
| <p>2021 HKRMA Quality Service Programme – Seasonal Award</p> <ul style="list-style-type: none"> – Service Category Leaders – Quality Living Category (Oct – Dec 2020) – Service Category Leaders – Quality Living Category (Jan – Mar 2021) – Service Category Leaders – Quality Living Category (Apr – Jun 2021) – Service Category Leaders – Quality Living Category (Jul – Sep 2021) | HKT – Customer Service Center | Hong Kong Retail Management Association |
| <ul style="list-style-type: none"> – Service Category Leaders – Telecommunications Category (Jul – Sep 2021) | 1010 | |
| <p>HKMA/ViuTV & Now TV Awards for Marketing Excellence 2021</p> <ul style="list-style-type: none"> – Excellence in Agility and Crisis Management | Now TV | The Hong Kong Management Association |
| <p>Hong Kong Awards for Environmental Excellence 2020</p> <ul style="list-style-type: none"> – Media and Communication – Silver | HKT | Environmental Campaign Committee, Environmental Protection Department and 9 organizations |
| <p>Hong Kong Digital Brand Awards 2021</p> <ul style="list-style-type: none"> – Outstanding 5G Mobile Data Plan Provider | csl | Metro Radio and The Chamber of Hong Kong Computer Industry |
| <p>Hong Kong Leaders' Choice 2021</p> <ul style="list-style-type: none"> – Excellent Brand of Mobile Financing Platform | HKT Flexi | Metro Finance |
| <p>Hong Kong Parents' Choice Brand Awards 2021</p> <ul style="list-style-type: none"> – Best 5G Service Provider | csl | Champimom |
| <p>Hong Kong Service Awards 2021</p> <ul style="list-style-type: none"> – 5G Mobile Service | csl | <i>East Week</i> |
| <ul style="list-style-type: none"> – Long Distance Call | IDD 0060 | |
| <p>Hong Kong Sustainability Award 2020/21</p> <ul style="list-style-type: none"> – Organization Award – Large Organization Category – Certificates of Excellence | HKT | The Hong Kong Management Association |



HKT Flexi claims the Excellent Brand of Mobile Financing Platform award at Hong Kong Leaders' Choice 2021.

| Award | Awardee | Scheme Organizer |
|--|---------------------|---|
| Huawei Hong Kong Partner Summit 2021 – The Excellent Product & Solution Partner (IP) Award 2020 – The Outstanding Contribution Partner Award 2020 | HKT | Huawei |
| iChoice Awards 2021 – Supreme 5G Mobile Network Service Provider – Supreme Marketing Award (Digital) – The Most Famous Mobile Network Service Provider – Supreme Mobile Service | csl Club Sim | discuss.com |
| iMoney Enterprise Brand Awards 2021 – The Best Brand of 5G Network Service | 1010 | <i>iMoney</i> |
| Jockey Club Age-friendly City Partnership Scheme 2020 – Age-friendly Business Award – Merit – Age-friendly Innovation Award | eSmartHealth | The Hong Kong Jockey Club Charities Trust |
| 2021 Kam Fan Awards – Media – Media Campaign – Best Integrated Media Campaign – Bronze | Now TV | The Association of Accredited Advertising Agencies of Hong Kong |
| Leadership Business Award 2021 – 5G Mobile Network Provider Award of Excellence | 1010 | Now Business News Channel |
| Marketing Excellence Awards 2021 – Hong Kong – Excellence in KOL Partnership – Bronze – Excellence in Lifestyle & Entertainment Marketing – Silver | Now TV | <i>Marketing</i> |
| MARKies Awards 2021 – Best Idea – Mobile & Apps – Bronze – Best Idea – Partnership/Sponsorship – Gold – Best Use of AI – Gold – Best Use of Data/Insights – Gold – Best Use of Technology – Gold | csl 1010 | <i>Marketing</i> |
| Mastercard Partners Annual Awards 2020 – Best Performer New Card Issuing Prepaid Card 2020 – Highest Market Share Prepaid Card Spend 2020 | HKT Payment | Mastercard |



Now TV takes bronze under the category of Media – Media Campaign – Best Integrated Media Campaign at the 2021 Kam Fan Awards.



HKT Payment receives two accolades at the Mastercard Partners Annual Awards 2020, including Best Performer New Card Issuing Prepaid Card 2020 and Highest Market Share Prepaid Card Spend 2020.

AWARDS (CONTINUED)

| Award | Awardee | Scheme Organizer |
|--|-------------------|--|
| Most Popular POP Brand Award 2021 – Most Popular POP 5G Telecommunication Brand | csl | <i>Metro Pop</i> |
| Most Respected Organizations Award 2020/21 | HKT | The Hong Kong Management Association |
| Most Valuable Companies in Hong Kong Awards 2021 – Leader in ICT & Smart City Technologies – Most Innovative Leader in Work from Home Solutions | HKT | <i>Mediazone</i> |
| New York Festivals – TV & Film Awards 2021 – Biography/Profiles – Documentary – Hong Kong – Finalist – Human Rights – Documentary – Hong Kong – Finalist | Now TV News | New York Festivals |
| Occupational Health Award 2020-21 – Joyful@Healthy Workplace Best Practices Award – Distinction in Physical Activity Promotion – Joyful@Healthy Workplace Best Practices Award – Enterprise/Organisation Category – Grand Award | HKT – Engineering | Occupational Safety and Health Council |
| Outstanding Corporate Strategy Awards 2021 | csl | <i>East Week</i> |
| PC3 Platinum Brand Award 2021 – 5G Corporate Mobile Communications Solutions – Digital Transformation – Smart Construction – 5G Mobile Communications | 1010 csl | <i>PC3</i> |
| Price Consumer Choice Award 2021 – 5G Service Operator – Mobile Service Operator | csl | Price.com.hk |



HKT receives the Most Respected Organizations Award 2020/21.

| Award | Awardee | Scheme Organizer |
|---|---|---|
| 2020 Quality Service Retailer of the Year <ul style="list-style-type: none"> – Quality Service Retailer of the Year – Category Award – Quality Living – Quality Service Retailer of the Year – Category Award – Telecommunications | HKT – Customer Service Center HKT | Hong Kong Retail Management Association |
| 2021 Quality Service Retailer of the Year <ul style="list-style-type: none"> – Quality Service Retailer of the Year – Category Award – Quality Living – The Best In-store Technology Adoption – Bronze | HKT – Customer Service Center 1010 | Hong Kong Retail Management Association |
| 2021 Service Talent Award <ul style="list-style-type: none"> – Outstanding Flagship Service Brands – Outstanding Flagship Service Brands – Top 10 Outstanding Flagship Service Stores – Top 10 Outstanding Flagship Service Stores – Excellent Service Star – Staff Award – Junior Frontline Level – STA New Participating Brands – Bronze – The Potential Brand Award – Silver – Staff Award – Junior Frontline Level – Telecommunications – Ambassador – Staff Award – Junior Frontline Level – Telecommunications – Gold – Staff Award – Supervisory Level – Telecommunications – Ambassador – Staff Award – Supervisory Level – Telecommunications – Gold | csl iO.t HKT – PCCW Tower Shop 1010, csl, HKT and iO.t staff members iO.t staff members 1010 and csl staff members HKT staff members 1010 staff member | Hong Kong Retail Management Association |



In 2021, HKT bags 18 accolades at the Service Talent Award.

AWARDS (CONTINUED)

| Award | Awardee | Scheme Organizer |
|---|---|---|
| Sing Tao Service Awards 2020 – Local Telecoms Services | csl | <i>Sing Tao Daily</i> |
| Smart Living Partnership Awards 2021 – Property Technology (PropTech) – Outstanding 5G Smart Properties Solutions – Smart Mobility – Outstanding Parking Meter System | 1010 Corporate Solutions HKT | <i>ET Net</i> |
| SME Partner Awards of Excellence 2021 – Distinguished 5G Corporate Mobile Communications Solutions – Distinguished Digital Transformation Solutions – Distinguished Commercial Broadband Service – Distinguished Information and Communications Technologies | 1010 HKT | <i>Hong Kong Economic Journal</i> |
| SportsHour Company Scheme – SportsHour Organization | HKT | InspiringHK Sports Foundation |
| Telecom Review Excellence Awards 2021 – Best Carrier Enterprise Services – Best Global Operator – Executive of the Year | PCCW Global PCCW Global staff member | Telecom Review |
| 15th Tiptop Service Award – Persistently Outstanding Service Company of the Year – Persistently Outstanding Service Outlet of the Year | HKT – Customer Service Center HKT – Shatin Customer Service Center | Tiptop Consultants Ltd. |
| The 5th Business Journalism Awards of The Hang Seng University of Hong Kong – Best Business & Finance Profile Interview – Video and Audio – Silver – Best Business News Series Reporting – Video – Gold | Now News | School of Communication, The Hang Seng University of Hong Kong |



At the Telecom Review Excellence Awards 2021, PCCW Global is recognized as the Best Carrier Enterprise Services and the Best Global Operator while a staff member is named Executive of the Year.

| Award | Awardee | Scheme Organizer |
|--|---|---|
| The Employer of Choice Award 2020 – Employer Brand Management Award – The Employer of Choice Award | csl | <i>JobMarket and Sing Tao Daily</i> |
| The Employer of Choice Award 2021 – Learning & Development Award – The Employer of Choice Award | csl | <i>JobMarket and Sing Tao Daily</i> |
| The Outstanding Brand Awards 2021 – The Excellence Award – The Outstanding Brand Award – Best Corporate Mobile Solutions Provider – The Excellence Award – The Outstanding Brand Award – Network and Digital Technology Service Provider – The Outstanding Brand Award – Digital Lending Service | 1010 HKT Enterprise Solutions HKT Flexi | <i>Economic Digest</i> |
| The Spark Awards 2021 – Best Corporate Social Responsibility Media – Bronze | Now TV/Now E | <i>Marketing Interactive</i> |
| Web Accessibility Recognition Scheme 2020-2021 – Website Stream – Silver | HKT | Hong Kong Internet Registration Corporation Limited |
| World Communication Awards 2021 – The Platform Award | PCCW Global | Total Telecom |

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard

Executive Chairman

Mr. Li, aged 55, was appointed the Executive Chairman and an Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. He is the Chairman of HKT's Executive Committee and a member of the Nomination Committee of the HKT Board. Mr. Li has also been an Executive Director and the Chairman of PCCW Limited (PCCW) since August 1999, the Chairman of PCCW's Executive Committee and a member of the Nomination Committee of the board of directors of PCCW. He is also the Chairman and Chief Executive of the Pacific Century Group, a Director of certain FWD group companies, an Executive Director of Pacific Century Premium Developments Limited (PCPD), the Chairman of PCPD's Executive Committee, a member of PCPD's Remuneration Committee and Nomination Committee, the Chairman and an Executive Director of Singapore-based Pacific Century Regional Developments Limited (PCRD), and the Chairman of PCRD's Executive Committee.

Mr. Li is a member of the Center for Strategic and International Studies' International Councillors' Group in Washington, D.C., and a member of the Global Information Infrastructure Commission. Mr. Li was awarded the Lifetime Achievement Award by the Cable & Satellite Broadcasting Association of Asia in November 2011.

HUI Hon Hing, Susanna

Group Managing Director

Ms. Hui, aged 57, is the Group Managing Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, since September 2018. She has been an Executive Director of HKT and the Trustee-Manager since November 2011. She is a member of HKT's Executive Committee and holds directorships in various Group companies. She was the Group Chief Financial Officer of HKT from November 2011 to August 2018 primarily responsible for overseeing the financial matters of the Group. Ms. Hui is also the Group Chief Financial Officer and Executive Director* of PCCW Limited (PCCW) and a member of PCCW's Executive Committee.

Ms. Hui joined Cable & Wireless HKT Limited (which was subsequently acquired by PCCW) in September 1999. Since then, she has served the PCCW Group in various capacities in the past 23 years, including as Director of Group Finance of the PCCW Group from September 2006 to April 2007, and the Director of Finance of the PCCW Group with responsibility for the telecommunications services sector and regulatory accounting. Ms. Hui was also an Executive Director of Pacific Century Premium Developments Limited (PCPD) from May 2018 to December 2021 and the Chief Financial Officer of PCPD from July 2009 to November 2011.

Prior to joining Cable & Wireless HKT Limited, Ms. Hui was the chief financial officer of a listed company engaged in hotel and property investment and management.

Ms. Hui graduated with a bachelor's degree in social sciences from the University of Hong Kong with first class honours. She is a qualified accountant and a member of both the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants.

NON-EXECUTIVE DIRECTORS

Peter Anthony ALLEN

Non-Executive Director

Mr. Allen, aged 66, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is a member of HKT's Audit Committee and the Trustee-Manager's Audit Committee. He is an Executive Director and the Group Managing Director of Pacific Century Regional Developments Limited, an Executive Director and the Chief Financial Officer of the Pacific Century Group, a Director of certain FWD group companies and Senior Advisor to PCCW Limited (PCCW). He is also a Director of certain other companies controlled by Mr. Li Tzar Kai, Richard, the Executive Chairman of HKT and the Trustee-Manager. Mr. Allen was an Executive Director of PCCW from August 1999 to November 2011.

Prior to joining the Pacific Century Group, Mr. Allen joined KPMG in 1976 before taking up an appointment at Occidental International Oil Incorporated in 1980. In 1983, he joined Schlumberger Limited and worked in various countries holding key management positions. In 1989, he moved to Singapore as Regional Financial Director of the Vestey Group.

Mr. Allen joined Boustead Singapore Limited as the Group Operations Controller in 1992 before taking up an appointment with Morgan Grenfell Investment Management (Asia) Limited as a Director and Chief Operating Officer in 1995. He joined the Pacific Century Group in 1997.

Mr. Allen was educated in England and graduated from the University of Sussex with a degree in economics. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Fellow Member of CPA Australia, a Fellow of the Hong Kong Institute of Directors and a Fellow of the Institute of Singapore Chartered Accountants.

* Subsequent to the date of this annual report, Ms. Hui is also the Acting Group Managing Director of PCCW with effect from March 1, 2022.

CHUNG Cho Yee, Mico**Non-Executive Director**

Mr. Chung, aged 61, was appointed a Non-Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust, in November 2011. Mr. Chung was a Non-Executive Director of PCCW Limited (PCCW) from May 2010 to November 2011. He was an Executive Director of PCCW from November 1996 who was responsible for merger and acquisition activities and was re-designated to a Non-Executive Director of PCCW in May 2010. He joined the Pacific Century Group in March 1999.

Mr. Chung graduated from University College London in the United Kingdom, with a law degree in 1983.

Mr. Chung is currently the Chairman and an Executive Director of CSI Properties Limited which he joined in 2004. He was an Independent Non-Executive Director of HKC (Holdings) Limited.

MAI Yanzhou**Non-Executive Director**

Mr. Mai, aged 52, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in December 2021. He is a member of HKT's Remuneration Committee, Nomination Committee and Executive Committee. Mr. Mai became a Non-Executive Director of PCCW Limited (PCCW) in March 2020 and the Deputy Chairman of the board of directors of PCCW in December 2021. He is a member of PCCW's Executive Committee.

Mr. Mai is a Vice President of China United Network Communications Group Company Limited (Unicom), Senior Vice President of China United Network Communications Limited, Senior Vice President* of China Unicom (Hong Kong) Limited, and a Director and Senior Vice President of China United Network Communications Corporation Limited. In addition, Mr. Mai serves as a Non-Executive Director of China Tower Corporation Limited and China Communications Services Corporation Limited.

Mr. Mai was Deputy General Manager of Guangdong Branch of China Network Communications Group Corporation, and Deputy General Manager of Guangdong Branch, General Manager of Fujian Branch and General Manager of Liaoning Branch of Unicom. Mr. Mai served as a deputy to the 12th National People's Congress.

Mr. Mai is a professor level senior engineer, and a university graduate with a master's degree in Electronics and Information Engineering. Mr. Mai has extensive experience in management and telecommunications industry.

WANG Fang**Non-Executive Director**

Ms. Wang, aged 51, was appointed a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in December 2021. She is a member of HKT's Regulatory Compliance Committee. Ms. Wang is also a Non-Executive Director of PCCW Limited (PCCW) and a member of the Nomination Committee of the board of directors of PCCW.

Ms. Wang is currently the General Manager of the Finance Department and the General Manager of the Data Operations and Financial Shared Service Center of China United Network Communications Group Company Limited (Unicom). She is also the Vice Chairman and a Director of Unicom Group Finance Company Limited (UGFCL), and the Supervisor of Unicompany Company Limited (Unicompany).

Ms. Wang was the Deputy General Manager of Hebei Branch and the Finance Department of China Netcom (Group) Company Limited, the Deputy General Manager of the Finance Department of Unicom, an Executive Director, the legal representative and General Manager of Unicompany, and the General Manager of UGFCL and the General Manager of Capital Management Center.

* Subsequent to the date of this annual report, Mr. Mai is also an Executive Director of China Unicom (Hong Kong) Limited with effect from February 28, 2022.

Ms. Wang is a Senior Accountant, and a university graduate with a master's degree in Business Administration. Ms. Wang has extensive experience in corporate finance and investment management.

Srinivas Bangalore GANGAIAH
(aka BG Srinivas)

Non-Executive Director

Mr. Srinivas, aged 61, was appointed a Non-Executive Director* of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in August 2014. He is an Executive Director and Group Managing Director* of PCCW Limited (PCCW) since July 2014. He is also a member of PCCW's Executive Committee. He is also an Alternate Director* of certain FWD group companies controlled by Mr. Li Tzar Kai, Richard, the Executive Chairman of HKT and the Trustee-Manager.

As part of the PCCW Group's responsibility, Mr. Srinivas is focused to ensure the PCCW Group maintains its leadership position in all its portfolio of business in Hong Kong while crafting strategies to expand each line of business. He has over 30 years of experience and has assisted enterprises in leveraging technology to transform businesses. Prior to joining PCCW, Mr. Srinivas had worked for the previous 15 years with Infosys Group, where his last role was the President and Whole-time Director of Infosys Limited. He played distinct role in crafting strategies and driving growth across several industry sectors for Infosys. Prior to that, Mr. Srinivas worked for 14 years with Asea Brown Boveri Group, where he held several leadership positions in process automation and power transmission divisions.

Mr. Srinivas has been on the panel of judges for the European Business Awards (EBA) for three consecutive years and is a frequent speaker at World Economic Forum, and academic institutions such as INSEAD and Yale University.

Mr. Srinivas holds a degree in mechanical engineering from Bangalore University, India, and has participated in executive programs at Wharton Business School, US, and Indian Institute of Management Ahmedabad (IIMA), India.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor CHANG Hsin Kang,
FREng, GBS, JP

Independent Non-Executive Director

Professor Chang, aged 81, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is the Chairman of HKT's Regulatory Compliance Committee, a member of HKT's Audit Committee, Remuneration Committee and Nomination Committee, and a member of the Trustee-Manager's Audit Committee. Professor Chang was an Independent Non-Executive Director of PCCW Limited from October 2000 to November 2011.

Professor Chang became an Honorary Professor of Beijing Foreign Studies University in 2005, an Honorary Professor of Peking University in 2006, an Honorary Professor of Tsinghua University in September 2007, and the Honorary President of China Institute for Knowledge of Our Hong Kong Foundation in 2017. He was the President and University Professor of City University of Hong Kong from 1996 to 2007. Prior to that, he was the Dean of the School of Engineering at the University of Pittsburgh in the United States from 1994 to 1996, Founding Dean of the School of Engineering at Hong Kong University of Science and Technology from 1990 to 1994 and the Chairperson of the Department of Biomedical Engineering at the University of Southern California in the United States from 1985 to 1990.

* Subsequent to the date of this annual report, Mr. Srinivas retired as a Non-Executive Director of HKT and the Trustee-Manager, and an Executive Director and Group Managing Director of PCCW, with effect from February 28, 2022. He also retired as an Alternate Director of certain FWD group companies with effect from March 1, 2022.

Professor Chang is a Foreign Member of the Royal Academy of Engineering of the United Kingdom, a Member of International Eurasian Academy of Sciences; and Chevalier dans l'Ordre National de la Légion d'Honneur as well as Commandeur dans l'Ordre des Palmes Académiques of France. He was appointed Justice of the Peace in July 1999 and awarded the Gold Bauhinia Star by the Hong Kong Government in July 2002.

Professor Chang obtained his bachelor's degree in civil engineering from the National Taiwan University, a master's degree in structural engineering from Stanford University in the United States and a doctorate in biomedical engineering from Northwestern University in the United States.

Professor Chang is also an Independent Non-Executive Director of Hang Lung Properties Limited. He was an Independent Non-Executive Director of Hon Kwok Land Investment Company, Limited, Brightoil Petroleum (Holdings) Limited and Nanyang Commercial Bank, Limited.

Sunil VARMA

Independent Non-Executive Director

Mr. Varma, aged 78, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited (Trustee-Manager), the trustee-manager of the HKT Trust, in November 2011. He is also the Chairman of both HKT's Audit Committee and the Trustee-Manager's Audit Committee and a member of HKT's Nomination Committee, Remuneration Committee and Regulatory Compliance Committee.

Mr. Varma is a certified chartered accountant as well as a cost and management accountant. He has extensive working experience of over 40 years including with Price Waterhouse Management Consultants and the IBM Consulting Group, specializing in management and business-problem consulting. He was the partner responsible for establishing and developing the Price Waterhouse consulting practice in Indonesia and was the Head of the Price Waterhouse consulting practice in Hong Kong until 1994. Mr. Varma was the Vice President and Principal responsible for the IBM Consulting Group in India between 1996 and 1998. He was the Interim Chief Financial Officer and Managing Director of Asia Online, Ltd. from 1999 to 2000 and was the Interim Chief Financial Officer of HCL – Perot Systems in India in 2003.

Mr. Varma had previously worked in a number of countries in Africa and the Asia Pacific region including Australia, India, Indonesia, Hong Kong, Thailand and the PRC. He advised large multinationals as well as domestic companies in the areas of corporate governance, financial management, organizational strengthening, efficiency improvement, process re-engineering and business systems. He is experienced in a cross-section of industries including financial services, information technology, energy, fertilizers and steel. He had previously conducted several large assignments for public sector organizations, funded by World Bank, Asian Development Bank and other multi-lateral funding agencies. Mr. Varma is a Lead Independent Director, the Chairman of Audit Committee and a member of various committees of Dr. Lal PathLabs Limited in India.

Mr. Varma obtained his Bachelor of Arts degree in mathematics and economics from Panjab University in July 1962. He has been an Associate member of the Institute of Chartered Accountants of India since August 1966 and a Fellow since June 1972, and an associate member of the Institute of Cost and Management Accountants of India since September 1975.

Aman MEHTA

Independent Non-Executive Director

Mr. Mehta, aged 75, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in May 2014. He is the Chairman of HKT's Nomination Committee. Mr. Mehta has been an Independent Non-Executive Director of PCCW Limited (PCCW) since February 2004. He is also the Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee of the board of directors of PCCW.

Mr. Mehta joined the board of directors of PCCW following a distinguished career in the international banking community. Mr. Mehta held the position of Chief Executive Officer of The Hongkong and Shanghai Banking Corporation Limited (HSBC) until December 2003, when he retired.

Born in India in 1946, Mr. Mehta joined HSBC group in Bombay in 1967. After a number of assignments throughout HSBC group, he was appointed Manager – Corporate Planning at HSBC's headquarters in Hong Kong in 1985. After a three-year posting to Riyadh in Saudi Arabia, he was appointed Group General Manager in 1991, and General Manager – International the following year, with responsibility for overseas subsidiaries. He subsequently held senior positions in the United States, overseeing HSBC group companies in the Americas and later becoming responsible for HSBC's operations in the Middle East.

In 1998, Mr. Mehta was reappointed General Manager – International, after which he became Executive Director International. In 1999, he was appointed Chief Executive Officer, a position he held until retirement.

Following his retirement in December 2003, Mr. Mehta took up residence in New Delhi. He is an Independent Director on the board of several public companies and institutions in India and internationally. He is an Independent Non-Executive Director of Wockhardt Limited in Mumbai, India and Max Financial Services Limited in New Delhi, India. He was an Independent

Non-Executive Director of Emaar MGF Land Limited, Jet Airways (India) Limited, Cairn India Limited, Vedanta Resources plc, Tata Consultancy Services Limited, Vedanta Limited, Godrej Consumer Products Limited and Tata Steel Limited; and an Independent Director on the Supervisory Board of ING Groep N.V., a Netherlands company.

Mr. Mehta is also a member of the Governing Board of Indian School of Business, Hyderabad.

Frances Waikwun WONG

Independent Non-Executive Director

Ms. Wong, aged 60, was appointed an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, in May 2015. She is the Chairwoman of HKT's Remuneration Committee. Ms. Wong has been an Independent Non-Executive Director of PCCW Limited (PCCW) since March 2012 and is the Chairwoman of the Regulatory Compliance Committee and a member of the Nomination Committee and the Remuneration Committee of the board of directors of PCCW. She is also an Independent Non-Executive Director of Pacific Century Regional Developments Limited.

Ms. Wong is currently a financial advisor of Good Harbour Finance Limited. She began her career as a management consultant at McKinsey & Company in the United States. Ms. Wong returned to Hong Kong and joined the Hutchison Whampoa group of companies in 1988, taking on various positions. She was managing director of Weatherite Manufacturing Limited, an air conditioning manufacturer. Later, Ms. Wong became chief executive officer of Metro Broadcast Corporation Limited. Eventually, she became chief financial officer of Star TV, Asia's first satellite television company. After leaving the Hutchison Whampoa Group, she became group chief financial officer for the Pacific Century Group. After she resigned from the Pacific Century Group, she founded the Independent Schools Foundation in Hong Kong in 2000.

Ms. Wong was educated in the United States at Stanford University where she received a Bachelor of Science degree. She holds a Master of Science degree from the Massachusetts Institute of Technology. Ms. Wong was a member of the Central Policy Unit, the Government of the Hong Kong Special Administrative Region (think tank). She has served on many educational boards including the Canadian International School of Hong Kong, Hong Kong Metropolitan University (formerly The Open University of Hong Kong) and was a member of the Joint Committee on Student Finance of Student Financial Assistance Agency.

COMBINED CORPORATE GOVERNANCE REPORT

The board of directors of HKT Management Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the HKT Trust) (the “Trustee-Manager Board”) and the board of directors of HKT Limited (the “Company”) (the “Company Board”) (together, the “Boards” or each, the “Board”) present the corporate governance report of the HKT Trust and the Company on a combined basis for the year ended December 31, 2021.

The HKT Trust is a trust constituted pursuant to a Deed of Trust dated November 7, 2011 under the laws of Hong Kong (the “Trust Deed”) and managed by the Trustee-Manager. The HKT Trust, the Trustee-Manager and the Company are 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 their businesses, and to ensure that their affairs are conducted in accordance with applicable laws and regulations.

The Boards have adopted a Corporate Responsibility Policy and a Corporate Social Responsibility Policy that apply throughout HKT Trust, HKT Limited and its subsidiaries (together, the “Group”) to all employees, including directors and officers, of the Trustee-Manager and of the Company and its subsidiaries (together, the “HKT Limited Group”).

The Corporate Responsibility Policy sets out standards for the way in which employees should conduct the HKT Limited Group’s business in the following areas: civic responsibilities, equal opportunities, preservation of company information and property, privacy of personal data, prevention of bribery, conflicts of interest and ensuring health and safety at work. This policy also prescribes procedures to enable employees to raise concerns with management and directors on a confidential basis.

The Corporate Social Responsibility Policy sets out standards for the way in which the HKT Limited Group should conduct its business to enhance its positive contribution to society and the environment.

CORPORATE STRATEGY

The Company’s fixed-line, broadband, mobile communication and media entertainment services offer a unique quadruple-play experience in Hong Kong. The Company’s strategy for generating and preserving unitholder value is to invest prudently in its technology and service platforms to ensure that its fixed-line business remains the market leader, its broadband offering delivers increasingly fast connectivity, its mobile network coverage and speed continuously improve, and its media service continues to provide viewers with premium content – and overall to invest in our people to continuously improve the quality of service that the Company provides to its customers. The Company generates and preserves value by investing in these businesses and pursuing growth opportunities. Its strategy is to continue to be the market leader via innovation and broadening its service offerings in the telecommunications and ancillary businesses.

CORPORATE GOVERNANCE CODE

The HKT Trust and the Company are both listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and are both subject to the provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The HKT Trust is not a separate legal entity, and can only act through the Trustee-Manager.

Pursuant to the Trust Deed, (i) the Trustee-Manager shall be responsible for compliance by the HKT Trust with the Listing Rules applicable to the HKT Trust and other relevant rules and regulations; (ii) the Company shall be responsible for compliance by the Company with the Listing Rules applicable to the Company and other relevant rules and regulations; and (iii) each of the Trustee-Manager and the Company must co-operate with each other to ensure that each party complies with the Listing Rules obligations and to co-ordinate disclosure to the Stock Exchange.

CORPORATE GOVERNANCE CODE (CONTINUED)

During the year ended December 31, 2021, the HKT Trust and the Company have adopted the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules applicable during the period as the corporate governance code of the HKT Trust and the Company. The HKT Trust and the Company have applied the principles, and complied with all relevant code provisions of the applicable CG Code in each case as set out in Appendix 14 to the Listing Rules during the year ended December 31, 2021, save and except for the code provisions set out below. The requirement to establish a separate Remuneration Committee with written terms of reference for the Trustee-Manager under the code provision B.1.2 of the CG Code is not relevant to the Trustee-Manager as its directors are not entitled to any remuneration under the Trust Deed, and therefore has not been complied with. In addition, given the unique circumstances of the HKT Trust i.e., the fact that the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals, the establishment of a separate Nomination Committee for the Trustee-Manager as required by code provision A.5.1 of the CG Code is not relevant to the Trustee-Manager, and therefore has not been complied with. The appointment of company secretary during the year was considered and approved at a meeting of the executive committee (in accordance with delegated Board authority and the outcome of which was reported to the directors), rather than at a physical meeting of the Board as required under code provision F.1.2 of the CG Code. Accordingly, the requirement under code provision F.1.2 of the CG Code to approve this matter by physical Board meeting has not been strictly complied with. However, the directors of the Trustee-Manager and the directors of the Company considered that the approval process was appropriate and efficient.

Having regard to the mandatory global travel restrictions in connection with the COVID-19 pandemic, certain directors of the Trustee-Manager and the Company participated in the combined annual general meeting of unitholders of the HKT Trust and of shareholders of the Company (the “Combined Annual General Meeting”) on May 7, 2021 by video/audio conferencing, and such directors, including the chairpersons of the Boards committees, were available to answer questions at the meeting pursuant to code provision E.1.2 of the CG Code.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The HKT Trust and the Company have adopted their own code of conduct regarding securities transactions, namely the HKT Trust and HKT Limited Code of Conduct for Securities Transactions (the “HKT Code”), which applies to all directors of the Trustee-Manager and the Company and their employees (where applicable) on terms no less exacting than the required standard indicated by the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry of all directors of the Trustee-Manager and the Company, confirmations have been received of compliance with the required standard set out in the Model Code and the HKT Code during the year.

The interests and short positions of the directors and the chief executives of the Trustee-Manager and the Company in the share stapled units (the “Share Stapled Units”) and underlying Share Stapled Units jointly issued by the HKT Trust and the Company; and the shares, underlying shares and debentures of the Company and its associated corporation have been disclosed in the Combined Report of the Directors of this annual report.

BOARDS OF DIRECTORS

Pursuant to the Trust Deed, the directors of the Trustee-Manager shall at all times comprise of the same individuals who serve as directors of the Company; no person shall serve as a director of the Trustee-Manager unless he also serves as a director of the Company at the same time; and no person shall serve as a director of the Company unless he also serves as a director of the Trustee-Manager at the same time.

The Company Board is responsible for the management of the Company. Key responsibilities of the Company Board include formulation of the overall strategies of the HKT Limited Group, the setting of management targets, and supervision of management performance. The Company Board confines itself to making broad policy decisions and exercising a number of reserved powers as mentioned below, delegating responsibility for more detailed considerations to the Company's Executive Committee under the leadership of the Company's Executive Chairman:

- those functions and matters as set out in the terms of reference of various committees (as amended from time to time) for which Company Board approval must be sought from time to time;
- those functions and matters for which Company Board approval must be sought in accordance with the HKT Limited Group's internal policies (as amended from time to time);
- consideration and approval of the HKT Limited Group's financial statements in the interim and annual reports, and announcements of interim and annual results;
- consideration of dividend amounts in accordance with the distribution policy as adopted by the Boards; and
- monitoring of the corporate governance practices and procedures; and maintenance of appropriate and effective risk management and internal control systems of the HKT Limited Group to ensure compliance with applicable rules and regulations.

The Trustee-Manager Board is responsible for the administration of the HKT Trust (including but not limited to the safe custody of all the property and rights of any kind whatsoever which are held on trust for the holders of Share Stapled Units (the "Trust Property")). Key responsibilities of the Trustee-Manager Board include taking all reasonable steps to ensure that the Trustee-Manager discharges its duties under the Trust Deed, ensuring that the Trust Property is properly accounted for, and being answerable to the holders of units of the HKT Trust for the application or misapplication of any Trust Property. The Trustee-Manager Board confines itself to making broad policy decisions and exercising a number of reserved powers as below:

- those functions and matters as set out in the terms of reference of various committees (where applicable) (as amended from time to time) for which Trustee-Manager Board approval must be sought from time to time;
- consideration and approval of the financial statements of the HKT Trust and the Trustee-Manager in the interim and annual reports, and announcements of interim and annual results;
- consideration of distributions to holders of Share Stapled Units; and
- monitoring of the corporate governance practices and procedures; and maintenance of appropriate and effective risk management and internal control systems of the HKT Trust to ensure compliance with applicable rules and regulations.

BOARDS OF DIRECTORS (CONTINUED)

The Executive Chairman and the Group Managing Director of the Trustee-Manager and the Company are Li Tzar Kai, Richard and Hui Hon Hing, Susanna respectively. The role of the Executive Chairman is separate from that of the Group Managing Director. The Executive Chairman is responsible for ensuring the Boards function effectively, providing leadership for the Boards in setting objectives and strategies, and ensuring good corporate governance practices are enforced. The Group Managing Director is responsible for leading the management of the Trustee-Manager and the Company in conducting their business affairs in accordance with the Group's objectives, and implementing the Group's strategies and policies. The Boards' compositions are set out in the Combined Report of the Directors of this annual report.

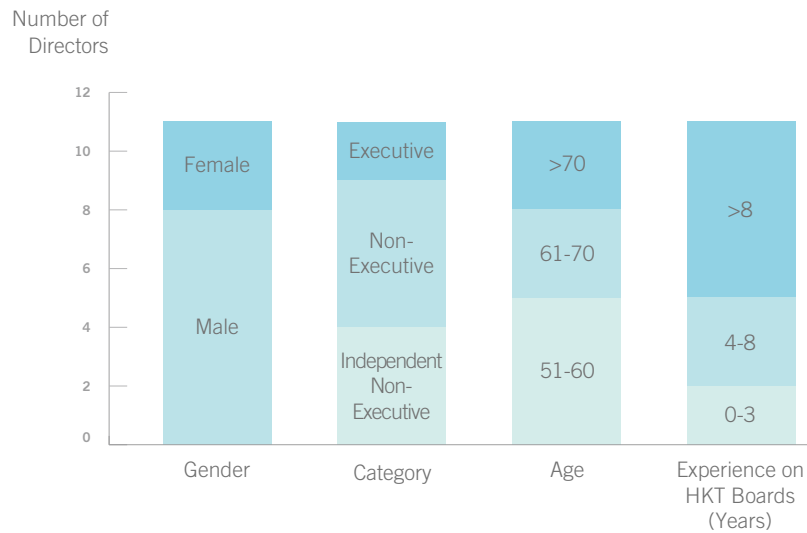
All directors of the Trustee-Manager and the Company have full and timely access to all relevant information, including monthly updates from the management, regular reports from various Boards committees and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors may take independent professional advice, which will be paid for by the Trustee-Manager or the Company, as appropriate.

The directors of the Trustee-Manager and the Company acknowledge their responsibility for preparing the financial statements of the Group, the HKT Limited Group and the Trustee-Manager, as appropriate, for each financial year, which give a true and fair view of the financial position of the Group and of the HKT Limited Group and of the Trustee-Manager, and of the financial performance and cash flows of the Group and of the HKT Limited Group and of the Trustee-Manager, for the year in accordance with Hong Kong Financial Reporting Standards, the Hong Kong Companies Ordinance and the Listing Rules. In preparing the financial statements for the year ended December 31, 2021, the directors of the Trustee-Manager and the Company have selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent and reasonable; stated the reasons for any significant departure from applicable accounting standards in Hong Kong; and have prepared the financial statements on a going concern basis. The statements of the external auditor relating to its reporting responsibilities on the financial statements of the HKT Trust and HKT Limited, and the Trustee-Manager are respectively set out in the Independent Auditor's Reports of this annual report.

As at the date of this report, each of the Boards is comprised of 11 directors including two executive directors, five non-executive directors and four independent non-executive directors. At least one-third of each of the Boards are independent non-executive directors and at least one of them from each Board has appropriate professional qualifications, or accounting or related financial management expertise. Biographies of all members of the Boards are set out on pages 28 to 32 of this annual report and are available on the Company's website (www.hkt.com). The relationships (including financial, business, family or other material or relevant relationships), if any, among members of the Boards have also been disclosed in the Combined Report of the Directors of this annual report.

BOARDS OF DIRECTORS (CONTINUED)

Board Composition

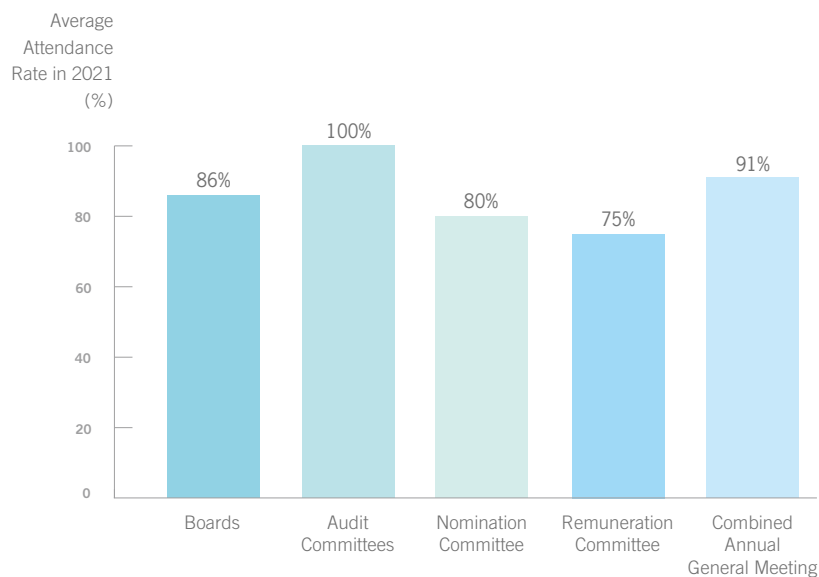


The Trustee-Manager and the Company have arranged appropriate directors and officers liability insurance cover for their directors and officers.

Biographies of senior corporate executives and heads of business units of the HKT Limited Group as at the date of this report are also available on the Company's website (www.hkt.com).

The Boards each held four meetings in 2021. The Combined Annual General Meeting was held on May 7, 2021 with the attendance of the external auditor to answer questions.

The following charts show the average meeting attendance rate in 2021 and the attendance of individual directors at the Boards and their respective committee meetings, and the Combined Annual General Meeting held in 2021:



BOARDS OF DIRECTORS (CONTINUED)

| Name | Meetings attended/eligible to attend in 2021 (Note 1) | | | | | | |
|--|---|--------------------------|-------------------------------|---------------------------------|-----------------|--------------------------|--|
| | Company | | | | Trustee-Manager | | Combined Annual General Meeting (Note 4) |
| | Board | Audit Committee (Note 2) | Nomination Committee (Note 2) | Remuneration Committee (Note 2) | Board | Audit Committee (Note 3) | |
| Executive Directors | | | | | | | |
| Li Tzar Kai, Richard | 4/4 | N/A | 1/1 | N/A | 4/4 | N/A | 1/1 |
| Hui Hon Hing, Susanna | 4/4 | N/A | N/A | N/A | 4/4 | N/A | 1/1 |
| Non-Executive Directors | | | | | | | |
| Peter Anthony Allen | 4/4 | 3/3 | N/A | N/A | 4/4 | 3/3 | 1/1 |
| Chung Cho Yee, Mico | 4/4 | N/A | N/A | N/A | 4/4 | N/A | 1/1 |
| Li Fushen (Note 5) | 0/4 | N/A | 0/1 | 0/2 | 0/4 | N/A | 0/1 |
| Zhu Kebin (Note 6) | 2/4 | N/A | N/A | N/A | 2/4 | N/A | 1/1 |
| Mai Yanzhou (Note 7) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Wang Fang (Note 8) | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| BG Srinivas | 4/4 | N/A | N/A | N/A | 4/4 | N/A | 1/1 |
| Independent Non-Executive Directors | | | | | | | |
| Professor Chang Hsin Kang | 4/4 | 3/3 | 1/1 | 2/2 | 4/4 | 3/3 | 1/1 |
| Sunil Varma | 4/4 | 3/3 | 1/1 | 2/2 | 4/4 | 3/3 | 1/1 |
| Aman Mehta | 4/4 | N/A | 1/1 | N/A | 4/4 | N/A | 1/1 |
| Frances Waikwun Wong | 4/4 | N/A | N/A | 2/2 | 4/4 | N/A | 1/1 |

Notes:

- Directors may attend meetings in person or by means of telephone or other audio communications equipment in accordance with the Company's Amended and Restated Articles of Association (the "Company Articles") and the Trustee-Manager's Articles of Association (the "Trustee-Manager Articles").
- For the composition of and the number of meetings held in 2021 by the Audit Committee, Nomination Committee and Remuneration Committee of the Company, please refer to the section headed "**Committees of the Company Board**" in this Combined Corporate Governance Report.
- For the composition of and the number of meetings held in 2021 by the Audit Committee of the Trustee-Manager, please refer to the section headed "**Committee of the Trustee-Manager Board**" in this Combined Corporate Governance Report.
- Having regard to the mandatory global travel restrictions in connection with the COVID-19 pandemic, certain directors of the Trustee-Manager and the Company participated in the 2021 Combined Annual General Meeting by video/audio conferencing.
- Resigned as a non-executive director of the Company and the Trustee-Manager, and as a member of the Company's Remuneration Committee and Nomination Committee, with effect from December 17, 2021.
- Resigned as a non-executive director of the Company and the Trustee-Manager, and as a member of the Company's Regulatory Compliance Committee, with effect from December 17, 2021.
- Appointed as a non-executive director of the Company and the Trustee-Manager, and as a member of the Company's Remuneration Committee and Nomination Committee, with effect from December 29, 2021.
- Appointed as a non-executive director of the Company and the Trustee-Manager, and as a member of the Company's Regulatory Compliance Committee, with effect from December 29, 2021.

BOARDS OF DIRECTORS (CONTINUED)

The Company and the Trustee-Manager together have received from each of their independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and consider that all four independent non-executive directors as at the date of this report, namely, Professor Chang Hsin Kang, Sunil Varma, Aman Mehta and Frances Waikwun Wong remain independent having regard to the independence criteria as set out in Rule 3.13 of the Listing Rules. Please also refer to the details disclosed in the section headed “**Independent Non-Executive Directors**” in the Combined Report of the Directors of this annual report.

According to the Company Articles and the Trust Deed, any director so appointed by the Company Board either to fill a casual vacancy or as an addition shall also be appointed as a director of the Trustee-Manager. Any director of the Company and the Trustee-Manager appointed to fill the casual vacancy shall hold office only until the next following general meeting of the Company or the next following general meeting of the HKT Trust (as the case may be) and shall be eligible for re-election at that meeting. In the case of an addition, the additional director of the Company and the Trustee-Manager shall hold office only until the next following annual general meeting of the Company or the next following annual general meeting of the HKT Trust (as the case may be) and shall be eligible for re-election at that meeting.

In addition, according to the Company Articles, at each annual general meeting of the Company no less than one-third of the directors for the time being shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Apart from retirement by rotation pursuant to the Company Articles, each non-executive director has a term of three years. Under the Trust Deed, the directors of the Trustee-Manager must be the same individuals who serve as directors of the Company at the relevant time; no person shall serve as a director of the Trustee-Manager unless he also serves as a director of the Company at the same time; and the office of a director of the Trustee-Manager shall be vacated if the relevant person ceases to be a director of the Company. These provisions are also contained in the Trustee-Manager Articles. Accordingly, the retirement by rotation provisions are also applicable, indirectly, in relation to the Trustee-Manager Board. Therefore, no director of either the Company or the Trustee-Manager will remain in office for a term of more than three years. The directors who shall retire from office of both the Company and the Trustee-Manager at the forthcoming Combined Annual General Meeting are set out in the Combined Report of the Directors of this annual report.

The Boards have a structured process to evaluate their own performance and directors' contribution on an annual basis including a self-evaluation questionnaire which is completed by all directors. The objectives of the evaluation are to assess whether the Boards and the committees, as well as the directors have adequately and effectively performed their roles and fulfilled their responsibilities; have devoted sufficient time commitment to the Company's and Trustee-Manager's affairs; and to recommend areas for improvement. The evaluation process has confirmed that the Boards and committees continue to operate effectively and that the performance of the directors and the time commitment in discharging their duties as directors of the Company and the Trustee-Manager for the year ended December 31, 2021 were generally satisfactory.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed director of the Company and the Trustee-Manager will meet with fellow directors and senior management to assist him/her in understanding the Group's operations and business, and he/she will receive a tailored induction handbook containing the Group's governance structure, key policies and an overview of director's responsibilities, as well as a briefing by qualified professional on the general and specific duties of director under legal and regulatory requirements.

As part of an ongoing process of director's continuous professional development (“CPD”) training, the directors of the Company and the Trustee-Manager are regularly briefed on legal and regulatory requirements relevant to their duties through their participation in the training seminars organized by the company secretary, and the operations, organization and governance policies of the Group through regular meetings with management. In addition to receiving regular updates on the Group's business affairs, directors are also provided with reading materials from time to time to help develop and refresh their knowledge and skills. The company secretary organizes seminars presented by qualified professionals on relevant topics with emphasis on directors' duties and responsibilities which count towards their CPD training.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT (CONTINUED)

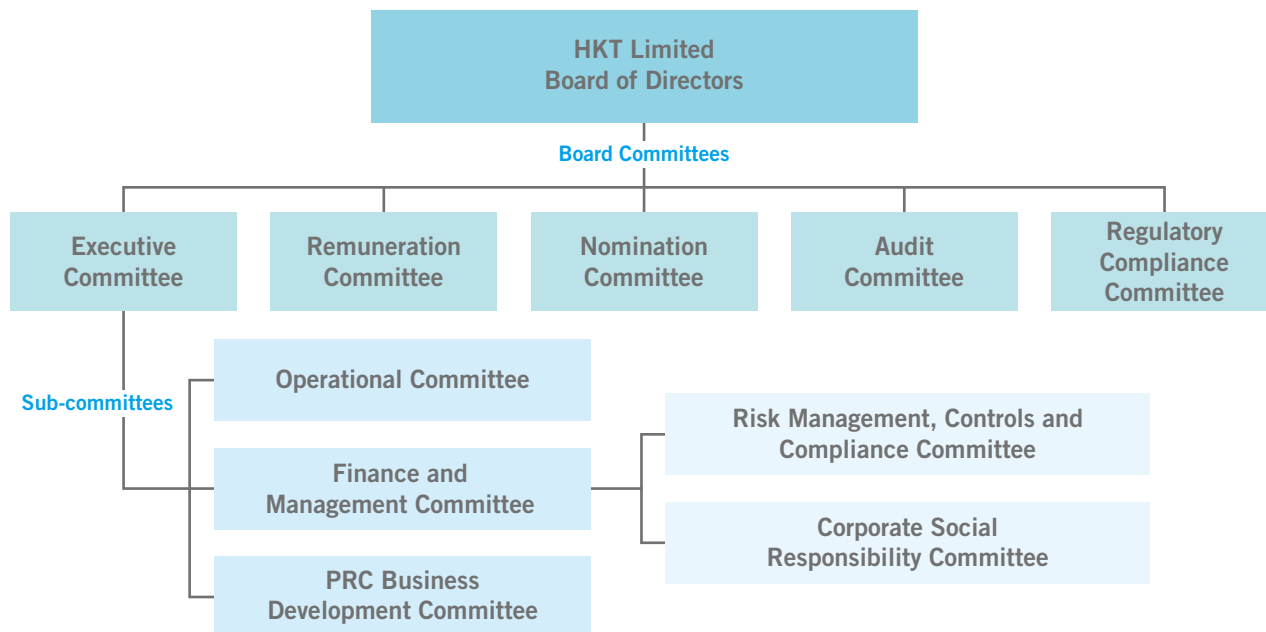
According to the directors' training records provided to the Company and the Trustee-Manager for the year ended December 31, 2021, the CPD training undertaken by all directors during the year is summarized as below:

| Name of Director | Type of CPD training (Note(s)) |
|---------------------------|--------------------------------|
| Current Directors | |
| Li Tzar Kai, Richard | (a), (b) |
| Hui Hon Hing, Susanna | (a), (b) |
| Peter Anthony Allen | (a), (b) |
| Chung Cho Yee, Mico | (a), (b) |
| Mai Yanzhou | (b) |
| Wang Fang | (b) |
| BG Srinivas | (a), (b) |
| Professor Chang Hsin Kang | (a), (b) |
| Sunil Varma | (a), (b) |
| Aman Mehta | (a), (b) |
| Frances Waikwun Wong | (a), (b) |
| Former Directors | |
| Li Fushen | (b) |
| Zhu Kebing | (b) |

Notes:

- (a) participated in seminars/forums/conferences (including giving speeches)
- (b) read seminar materials/journals/articles/business or industry updates

COMMITTEES OF THE COMPANY BOARD



The Company Board has established the following committees with defined terms of reference. The terms of reference of the Remuneration Committee, the Nomination Committee and the Audit Committee are on no less exacting terms than those set out in the CG Code. The Audit Committee, the Nomination Committee, the Regulatory Compliance Committee and the Remuneration Committee have been structured to include a majority of independent non-executive directors.

COMMITTEES OF THE COMPANY BOARD (CONTINUED)

Executive Committee and Sub-committees

The Executive Committee of the Company Board operates as a general management committee with overall delegated authority from the Company Board. The Executive Committee determines the HKT Limited Group's strategies, reviews trading performance, ensures adequate funding, examines major investments and monitors management performance. The Executive Committee reports through the Executive Chairman to the Company Board.

The Executive Committee is comprised of three members, including two executive directors and one non-executive director.

As at the date of this annual report, the members of the Executive Committee are:

Li Tzar Kai, Richard (*Chairman*)

Hui Hon Hing, Susanna

Mai Yanzhou

During the year, the following changes were made to the composition of the Executive Committee:

- (1) Li Fushen resigned as a member with effect from December 17, 2021; and
- (2) Mai Yanzhou was appointed as a member with effect from December 29, 2021.

Reporting to the Executive Committee are sub-committees comprising of executive and non-executive directors and members of senior management, who oversee all key operating and functional areas within the HKT Limited Group. Each sub-committee has defined terms of reference covering its authority and duties, meets frequently and reports to the Executive Committee on a regular basis.

The *Finance and Management Committee* was established with effect from the date of listing of the Share Stapled Units on November 29, 2011 (the "Listing Date"). This committee is chaired by the Group Managing Director and meets on a regular basis to review management and strategic matters across the HKT Limited Group and to set overall financial objectives and policies.

The *Operational Committee* was established with effect from the Listing Date. This committee is chaired by the Group Managing Director and meets on a regular basis to direct all of the business units/operations within the HKT Limited Group.

The *Risk Management, Controls and Compliance Committee*, which reports to the Finance and Management Committee, was established with effect from the Listing Date. It is comprised of senior members of the Company's Group Finance, Group Legal Office and Corporate Secretariat, Group Communications, Group Internal Audit, and Group Risk Management and Compliance departments. The committee reviews procedures for the preparation of the annual and interim reports of HKT Trust and HKT Limited and the Group's policies from time to time to ensure compliance with the various rules and obligations imposed under the Listing Rules, and assists directors in the review of the effectiveness of the risk management and internal control systems of the Group on an ongoing basis.

The *Corporate Social Responsibility Committee*, which reports to the Finance and Management Committee, was established with effect from the Listing Date. It is comprised of senior members of the Company's Group Communications, Group Human Resources, Group Legal Office and Corporate Secretariat, Group Finance, Group Risk Management and Compliance, Network Planning and Operations, Investor Relations, and Group Purchasing and Supply departments, as well as management from individual business units. The committee ensures that the Company operates in a manner that enhances its positive contribution to society and the environment. The committee is also responsible for reviewing the Company's corporate social responsibility strategy, principles and policies; setting guidance, direction and overseeing practices and procedures; and monitoring progress on the Company's corporate social responsibility and related activities.

The *PRC Business Development Committee* was established with effect from the Listing Date to advise on possible opportunities for expanding the HKT Limited Group's operations in the PRC and monitoring the use of funds allocated and approved by the Company Board or relevant committee for PRC opportunities.

COMMITTEES OF THE COMPANY BOARD (CONTINUED)

Remuneration Committee

The Company Board established the Remuneration Committee with effect from the Listing Date. The primary responsibility of the Remuneration Committee is to assist the Board in achieving its objectives of attracting, retaining and motivating high-caliber directors and senior management of the Company and other members of the HKT Limited Group who will underpin the success of the Company and enhance the value of the Company for the benefit of the holders of Share Stapled Units.

The Remuneration Committee is responsible for overseeing the establishment and operation of formal and transparent procedures for developing the remuneration packages of directors and senior management of the Company and other members of the HKT Limited Group and determining, with delegated responsibility, the remuneration packages of individual executive directors and senior management of the Company and to make recommendations to the Company Board on the remuneration of non-executive directors. In addition, the committee provides effective supervision and administration of the HKT Trust and the Company's Share Stapled Units option scheme, as well as other Share Stapled Units incentive schemes. The committee's authority and duties are set out in written terms of reference that are posted on the Company's website at www.hkt.com/ir and the website of Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkexnews.hk. This committee is comprised of four members, including three independent non-executive directors and one non-executive director, and is chaired by an independent non-executive director.

As at the date of this annual report, the members of the Remuneration Committee are:

Frances Waikwun Wong (*Chairperson*)

Professor Chang Hsin Kang

Sunil Varma

Mai Yanzhou

During the year, the following changes were made to the composition of the Remuneration Committee:

- (1) Li Fushen resigned as a member with effect from December 17, 2021; and
- (2) Mai Yanzhou was appointed as a member with effect from December 29, 2021.

The objective of the Company's remuneration policy is to help establish fair and competitive remuneration packages based on our business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Company Board, market rates and factors such as each director's workload, responsibility and job complexity are taken into account. The following factors are considered when determining the remuneration packages of directors and senior management of the Company:

- business requirements;
- individual performance and contribution to results;
- company performance and profitability;
- retention considerations and the potential of individuals;
- corporate goals and objectives;
- changes in relevant markets, including supply and demand fluctuations and changes in competitive conditions; and
- general economic situation.

COMMITTEES OF THE COMPANY BOARD *(CONTINUED)*

Remuneration Committee *(continued)*

During the review process, no individual director is involved in decisions relating to his/her own remuneration.

The Remuneration Committee met twice in 2021. The attendance of individual directors at the committee meetings is set out on page 38 of this annual report.

The work performed by the Remuneration Committee during 2021 included:

- (i) review of the terms of reference of the Remuneration Committee;
- (ii) review and approval of the emoluments of executive director and senior management, including 2020 performance bonus;
- (iii) consideration of the termination of the existing Share Stapled Units option scheme in light of the expiry of its original term and the adoption of a new Share Stapled Units option scheme, with a recommendation to the Company Board subject to the approvals of the holders of Share Stapled Units and the shareholders of PCCW Limited (“PCCW”); and
- (iv) review and approval of the 2021 business key performance indicators and performance bonus scheme for executive director and senior management.

Details of emoluments of each director and senior executives are set out in note 12 to the consolidated financial statements of the HKT Trust and the Company.

Nomination Committee

The Company Board established the Nomination Committee with effect from the Listing Date. The primary objective of the Nomination Committee is to assist the Company Board in ensuring a fair and transparent procedure for the appointment and re-appointment of directors to the Company Board, and maintaining a balance of skills, knowledge, experience and diversity of perspectives on the Company Board which are appropriate to the requirements of the Company’s business. The duties of the Nomination Committee are set out in its written terms of reference which are posted on the websites of the Company and HKEX.

The Boards jointly adopted a board diversity policy (the “Board Diversity Policy”) with a primary objective to enhance the effectiveness of the Boards and the corporate governance standard through promoting and achieving diversity on the Boards. The Group recognizes the importance of having a diverse team of Board members, which is an essential element in maintaining an effective Board.

The Boards also jointly adopted a nomination policy (the “Nomination Policy”) which sets out the procedures and criteria to be used by the Nomination Committee for the selection, appointment and re-appointment of directors.

The Nomination Committee is delegated with the authority to review and assess the diversity of perspectives of the Company Board and monitor the implementation of the Board Diversity Policy and the Nomination Policy as appropriate. Both the Board Diversity Policy and the Nomination Policy are available on the Company’s website.

In assessing the suitability of a candidate, the Nomination Committee will give consideration to the Nomination Policy and the Board Diversity Policy. Candidates will be selected based on merit against objective criteria and with due regard to the benefits of diversity on the Company Board and other factors which are relevant to the Company. The Nomination Committee will consider, among other things, the accomplishment, expertise, experience and diversity of perspective that the candidate can bring to the Boards, and the candidate’s commitment in respect of available time and relevant interests. The Nomination Committee will make recommendations to the Company Board on the selection of candidate(s) nominated for directorships. In the case of the appointment and re-appointment of independent non-executive directors, the Nomination Committee will assess the independence of the appointees having regard to the criteria set out in the Listing Rules and make recommendations to the Company Board with respect to their re-election by shareholders at general meetings.

COMMITTEES OF THE COMPANY BOARD (CONTINUED)

Nomination Committee (continued)

The Nomination Committee is comprised of five members, including one executive director, one non-executive director and three independent non-executive directors. It is chaired by an independent non-executive director.

As at the date of this annual report, the members of the Nomination Committee are:

Aman Mehta (*Chairman*)
Professor Chang Hsin Kang
Li Tzar Kai, Richard
Mai Yanzhou
Sunil Varma

During the year, the following changes were made to the composition of the Nomination Committee:

- (1) Li Fushen resigned as a member with effect from December 17, 2021; and
- (2) Mai Yanzhou was appointed as a member with effect from December 29, 2021.

On February 24, 2022, the Nomination Committee, having reviewed the Company Board's structure, size and composition, nominated Li Tzar Kai, Richard, Peter Anthony Allen, Mai Yanzhou and Wang Fang to the Company Board for it to consider and recommend to shareholders their re-election at the forthcoming annual general meeting. The nominations were made in accordance with the Nomination Policy and the Board Diversity Policy. The Nomination Committee formed the view that the Company Board has maintained an appropriate mix and balance of skills, knowledge, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The Nomination Committee met once in 2021. The attendance of individual directors at the committee meeting is set out on page 38 of this annual report.

The work performed by the Nomination Committee during 2021 included:

- (i) review of the terms of reference of the Nomination Committee;
- (ii) review and assessment of the independence of all independent non-executive directors of the Company;
- (iii) recommendation to the Company Board for approval the list of retiring directors of the Company for re-election at the Combined Annual General Meeting on May 7, 2021;
- (iv) annual review of the structure, size and composition of the Company Board taking into account the Board Diversity Policy and the Nomination Policy, with a recommendation to the Company Board for approval; and
- (v) recommendation to the Company Board for approval of the appointment of each of Mai Yanzhou and Wang Fang as a non-executive director of the Company after consideration of a range of factors in accordance with the Board Diversity Policy and the Nomination Policy.

COMMITTEES OF THE COMPANY BOARD (CONTINUED)

Audit Committee

The Company Board established the Audit Committee with effect from the Listing Date. The Audit Committee is responsible for assisting the Company Board to ensure objectivity and credibility of financial reporting of the HKT Limited Group, and that the directors have exercised the care, diligence and skills prescribed by law when presenting the HKT Limited Group's results to the holders of Share Stapled Units. The Audit Committee is also responsible for assisting the Company Board to ensure that effective risk management and internal control systems of the HKT Limited Group are in place and good corporate governance standards and practices are maintained by the HKT Limited Group. The committee's authority and duties are set out in written terms of reference that are posted on the websites of the Company and HKEX.

The Audit Committee's responsibilities also include the appointment, compensation and supervision of the external auditors. To oversee the external auditors' independence, procedures have been adopted by the Audit Committee for the monitoring and approval of all audit and permitted non-audit services to be undertaken by the external auditors.

The HKT Limited Group's external auditor is PricewaterhouseCoopers (Certified Public Accountants and Registered Public Interest Entity Auditor). PricewaterhouseCoopers has written to the Audit Committee confirming that they are independent with respect to the Company and that there is no relationship between PricewaterhouseCoopers and the Company which may reasonably be thought to bear on their independence. In order to maintain the external auditor's independence, it would only be employed for non-audit work if the work does not compromise the external auditor's independence and has been approved by the Audit Committee.

During the year, the external auditor provided audit, audit related and permissible non-audit services to the HKT Limited Group. Audit services include services provided in connection with the audit of the HKT Limited Group's consolidated financial statements. Audit related services include services such as issuance of special audit or assurance reports for regulatory purposes, where the external auditor is best placed to undertake in its capacity as auditor. Permissible non-audit services include services such as tax compliance and tax planning, and non-financial reporting information systems consultation, which require specific review and approval by the Audit Committee.

For the year ended December 31, 2021, the fees paid or payable in respect of audit, audit related and permissible non-audit services provided to the HKT Limited Group by the external auditor amounted to approximately HK\$13 million, HK\$2 million and HK\$3 million, respectively.

On February 23, 2022, the Audit Committee recommended to the Company Board the re-appointment of PricewaterhouseCoopers to conduct statutory audits in respect of the Company for the financial year 2022 at the forthcoming Combined Annual General Meeting. Pursuant to the terms of the Trust Deed, the HKT Trust, the Company and the Trustee-Manager must have the same auditor.

The Audit Committee is comprised of three members, including two independent non-executive directors and one non-executive director, and is chaired by an independent non-executive director.

The members of the Audit Committee during 2021 and up to the date of this annual report are:

Sunil Varma (*Chairman*)
Professor Chang Hsin Kang
Peter Anthony Allen

COMMITTEES OF THE COMPANY BOARD (CONTINUED)

Audit Committee (continued)

The Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, the internal auditor and external auditor and also reviews their reports. During 2021, the committee met three times. The attendance of individual directors at the committee meetings is set out on page 38 of this annual report.

The work performed by the Audit Committee during 2021 included:

- (i) review of the terms of reference of the Audit Committee;
- (ii) review of the draft annual report and the draft annual results announcement for the year ended December 31, 2020, with a recommendation to the Company Board for approval;
- (iii) review and approval of PricewaterhouseCoopers' confirmation of independence, its report to the Audit Committee and the draft management representation letter for the year ended December 31, 2020, with a recommendation to the Company Board for the re-appointment of PricewaterhouseCoopers at the 2021 Combined Annual General Meeting;
- (iv) review and assessment of effectiveness of the risk management and internal control systems under the CG Code for the year ended December 31, 2020, with a recommendation to the Company Board for approval;
- (v) review of the continuing connected transactions (including PricewaterhouseCoopers' report on the continuing connected transactions) for the year ended December 31, 2020, with a recommendation to the Company Board for approval;
- (vi) review and approval of the Group Internal Audit reports (including the internal audit work plans) and the progress of the internal audit function made during 2021;
- (vii) review of the draft interim report and the draft interim results announcement for the six months ended June 30, 2021, with a recommendation to the Company Board for approval;
- (viii) review and approval of PricewaterhouseCoopers' confirmation of independence and its report to the Audit Committee for the six months ended June 30, 2021;
- (ix) review and approval of the audit strategy memorandum for the year ending December 31, 2021;
- (x) review and approval of PricewaterhouseCoopers' draft letters of engagement for the year ending December 31, 2021;
- (xi) review and assessment of effectiveness of the risk management and internal control systems during 2021;
- (xii) review and approval of PricewaterhouseCoopers' pre-year end report to the Audit Committee for the year 2021;
- (xiii) consideration and approval of the 2021 audit and non-audit services and the 2022 annual budget for audit and non-audit services;
- (xiv) review of the draft corporate governance report and practices for the year ended December 31, 2020 and the corporate governance disclosure for the six months ended June 30, 2021, in each case with a recommendation to the Company Board for approval;

COMMITTEES OF THE COMPANY BOARD (CONTINUED)

Audit Committee (continued)

- (xv) review of the draft environmental, social and governance (“ESG”) report for the year ended December 31, 2020, with a recommendation to the Company Board for approval;
- (xvi) review of the proposed environmental targets for incorporation in the ESG report so as to fulfill the latest requirements of the ESG reporting guide issued by HKEX for compliance by issuers for financial years commencing on or after July 1, 2020;
- (xvii) review of the results of the directors’ self-evaluation and the board’s self-assessment exercise for the year ended December 31, 2020 to evaluate the performance of the Company Board, its committees, and directors’ contribution, with a recommendation to the Company Board for approval; and
- (xviii) review and monitoring of training and CPD for directors and senior management.

Subsequent to the year end, the Audit Committee reviewed the draft annual report and the draft annual results announcement, the effectiveness of the risk management and internal control systems, as well as the draft ESG report for the year ended December 31, 2021, with recommendations to the Company Board for approval.

Regulatory Compliance Committees

The Regulatory Compliance Committee of the Company is comprised of three members, including two independent non-executive directors and one non-executive director. It primarily reviews and monitors the HKT Limited Group’s dealings with the CK Hutchison Holdings Limited (“CK Hutchison”) Group and the CK Asset Holdings Limited (“CK Asset”) Group to ensure that all dealings with these entities are conducted on an arm’s-length basis and do not raise any anti-competitive concerns under the Competition Ordinance. The Regulatory Compliance Committee is chaired by an independent non-executive director. With effect from February 5, 2021, the terms of reference of the Regulatory Compliance Committee were amended by removing the obligations to monitor the relationships with the Hong Kong Economic Journal Company Limited (“HKEJ”) to reflect the changes to the Broadcasting Ordinance (“BO”) which came into force on February 5, 2021. The updated written terms of reference setting out the committee’s authority and duties are posted on the websites of the Company and HKEX.

As at the date of this annual report, the members of the Regulatory Compliance Committee are:

Professor Chang Hsin Kang (*Chairman*)

Sunil Varma

Wang Fang

During the year, the following changes were made to the composition of the Regulatory Compliance Committee:

- (1) Zhu Keping resigned as a member with effect from December 17, 2021; and
- (2) Wang Fang was appointed as a member with effect from December 29, 2021.

PCCW Media Limited (“PCCW Media”), previously an indirect wholly-owned subsidiary of PCCW, has become an indirect wholly-owned subsidiary of the Company since September 2020. The Regulatory Compliance Committee of PCCW Media primarily reviews and monitors dealings of PCCW Media with the CK Hutchison Group and the CK Asset Group to ensure that all dealings with these entities are conducted on an arm’s-length basis and do not raise any anti-competitive concerns under the Competition Ordinance. It also monitors disqualified persons matters under the BO. With effect from February 5, 2021, the terms of reference of the Regulatory Compliance Committee of PCCW Media were amended by removing the obligations to monitor the relationships with the HKEJ to reflect the changes to the BO which came into force on February 5, 2021. The updated written terms of reference setting out the committee’s authority and duties are posted on the websites of the Company and HKEX.

COMMITTEE OF THE TRUSTEE-MANAGER BOARD



The Trustee-Manager Board has established an Audit Committee (the “Trustee-Manager Audit Committee”) with defined terms of reference which are on no less exacting terms than those set out in the CG Code. The Trustee-Manager Audit Committee has been structured to include a majority of independent non-executive directors of the Trustee-Manager.

The Trustee-Manager Audit Committee is responsible for assisting the Trustee-Manager Board to ensure objectivity and credibility of financial reporting of the HKT Trust and the Trustee-Manager, and that the directors of the Trustee-Manager have exercised the care, diligence and skills prescribed by law when presenting the HKT Trust’s and the Trustee-Manager’s results to the holders of Share Stapled Units. The Trustee-Manager Audit Committee is also responsible for assisting the Trustee-Manager Board to ensure that effective risk management and internal control systems of each of the HKT Trust and the Trustee-Manager (where applicable) are in place and good corporate governance standards and practices are maintained by the HKT Trust and the Trustee-Manager. The committee’s authority and duties are set out in written terms of reference that are posted on the websites of the Company and HKEX.

The Trustee-Manager Audit Committee’s responsibilities also include the appointment, compensation and supervision of the external auditors. To oversee the external auditors’ independence, procedures have been adopted by the Trustee-Manager Audit Committee for the monitoring and approval of all audit and permitted non-audit services to be undertaken by the external auditors.

The external auditor of the HKT Trust and the Trustee-Manager is PricewaterhouseCoopers (Certified Public Accountants and Registered Public Interest Entity Auditor). PricewaterhouseCoopers has written to the Trustee-Manager Audit Committee confirming that they are independent with respect to the HKT Trust and the Trustee-Manager and that there is no relationship between PricewaterhouseCoopers and the HKT Trust and the Trustee-Manager which may reasonably be thought to bear on their independence. In order to maintain the external auditor’s independence, it would only be employed for non-audit work if the work does not compromise the external auditor’s independence and has been approved by the Trustee-Manager Audit Committee.

During the year, the external auditor provided audit services to the HKT Trust and the Trustee-Manager. Audit services include services provided in connection with the audit of the consolidated financial statements of the HKT Trust and the HKT Limited Group and the financial statements of the Trustee-Manager. No audit related services or non-audit services have been provided by the external auditor.

For the year ended December 31, 2021, the fees paid or payable in respect of audit services provided to the HKT Trust and the Trustee-Manager by the external auditor amounted to approximately HK\$0.05 million.

On February 23, 2022, the Trustee-Manager Audit Committee recommended to the Trustee-Manager Board the re-appointment of PricewaterhouseCoopers to conduct statutory audits in respect of the HKT Trust and the Trustee-Manager for the financial year 2022 at the forthcoming Combined Annual General Meeting. Pursuant to the terms of the Trust Deed, the HKT Trust, the Company and the Trustee-Manager must have the same auditor. Furthermore, the fees and expenses of the auditors of the HKT Trust and the Trustee-Manager in connection with the audit of the consolidated financial statements of the HKT Trust and the financial statements of the Trustee-Manager are to be paid out of the Trust Property (as defined in the Trust Deed). The Trust Deed also requires that the membership of the Trustee-Manager Audit Committee must be the same as the membership of the Audit Committee of the Company Board.

COMMITTEE OF THE TRUSTEE-MANAGER BOARD (CONTINUED)

The Trustee-Manager Audit Committee is comprised of three members, including two independent non-executive directors and one non-executive director and each of them is a member of the Audit Committee of the Company Board. The Trustee-Manager Audit Committee is chaired by an independent non-executive director.

The members of the Trustee-Manager Audit Committee during 2021 and up to the date of this annual report are:

Sunil Varma (*Chairman*)
Professor Chang Hsin Kang
Peter Anthony Allen

The Trustee-Manager Audit Committee is provided with sufficient resources to discharge its duties and meets regularly with management, the internal auditor and external auditor and also reviews their reports. During 2021, the committee met three times. The attendance of individual directors at the committee meetings is set out on page 38 of this annual report.

The Trustee-Manager Audit Committee reviewed and noted the resolutions passed and matters approved and confirmed at the Audit Committee of the Company, whose work performed during 2021 and subsequent to the year end is set out under the heading of “**Audit Committee**” on pages 45 to 47 of this annual report, and where appropriate, approved and confirmed those items specific to the HKT Trust and the Trustee-Manager. Other work performed by the Trustee-Manager Audit Committee during 2021 included:

- (i) review of the terms of reference of the Trustee-Manager Audit Committee;
- (ii) review of the draft financial statements of the Trustee-Manager for the year ended December 31, 2020, with a recommendation to the Trustee-Manager Board for approval;
- (iii) review and approval of PricewaterhouseCoopers’ confirmation of independence, its report to the Trustee-Manager Audit Committee and the draft management representation letter for the year ended December 31, 2020, with a recommendation to the Trustee-Manager Board for the re-appointment of PricewaterhouseCoopers at the 2021 Combined Annual General Meeting;
- (iv) review and assessment of effectiveness of the risk management and internal control systems under the CG Code for the year ended December 31, 2020, with a recommendation to the Trustee-Manager Board for approval;
- (v) review of the continuing connected transactions (including PricewaterhouseCoopers’ report on the continuing connected transactions) for the year ended December 31, 2020, with a recommendation to the Trustee-Manager Board for approval;
- (vi) review and approval of the Group Internal Audit reports (including the internal audit work plans) and the progress of the internal audit function made during 2021;
- (vii) review of the draft financial information of the Trustee-Manager for the six months ended June 30, 2021, with a recommendation to the Trustee-Manager Board for approval;
- (viii) review and approval of PricewaterhouseCoopers’ confirmation of independence and its report to the Trustee-Manager Audit Committee for the six months ended June 30, 2021;
- (ix) review and approval of the audit strategy memorandum for the year ending December 31, 2021;
- (x) review and approval of PricewaterhouseCoopers’ draft letters of engagement for the year ending December 31, 2021;
- (xi) review and assessment of effectiveness of the risk management and internal control systems during 2021; and
- (xii) review and approval of PricewaterhouseCoopers’ pre-year end report to the Trustee-Manager Audit Committee for the year 2021.

COMMITTEE OF THE TRUSTEE-MANAGER BOARD (CONTINUED)

Subsequent to the year end, the Trustee-Manager Audit Committee reviewed the draft annual report and the draft annual results announcement of the HKT Trust (including the financial statements of the Trustee-Manager), the effectiveness of the risk management and internal control systems, as well as the draft ESG report for the year ended December 31, 2021, with recommendations to the Trustee-Manager Board for approval.

The Trustee-Manager has not established a separate Remuneration Committee and Nomination Committee as its directors are not entitled to any remuneration under the Trust Deed, and as the Trust Deed requires that the directors of the Company and the directors of the Trustee-Manager must always be the same individuals given the unique circumstances of the HKT Trust.

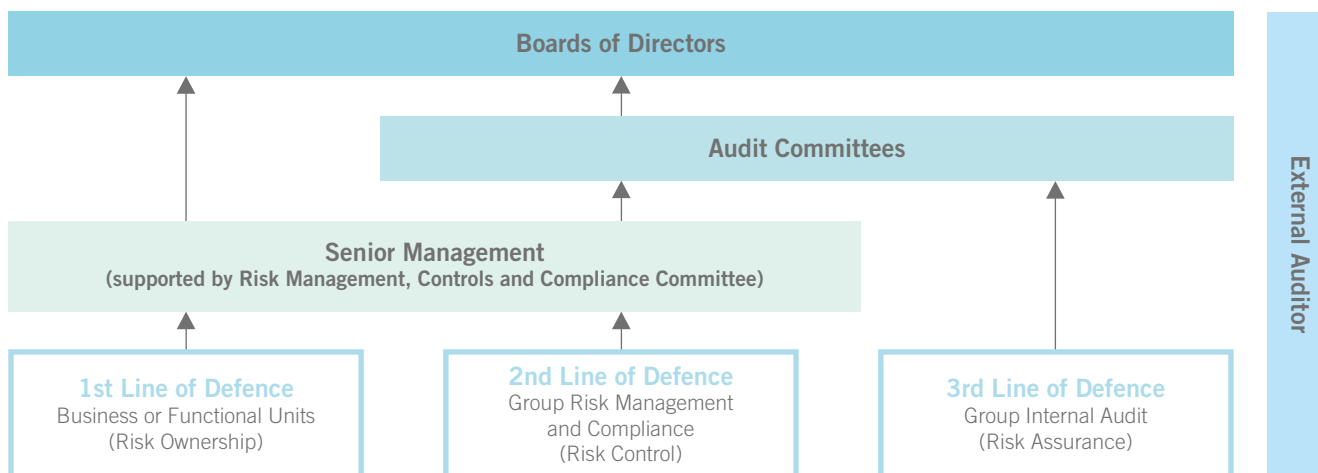
RISK MANAGEMENT AND INTERNAL CONTROLS

The Boards acknowledge their responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least annually through the Trustee-Manager Audit Committee and the Company Audit Committee (collectively the “Audit Committees”) respectively. The Audit Committees assist the Boards in fulfilling their corporate governance roles in overseeing the Group’s financial, operational, compliance, risk management and internal controls, as well as the resourcing of the finance and internal audit functions.

The Group has established an organizational structure with defined levels of responsibility and reporting procedures. The Risk Management, Controls and Compliance Committee (“RMCCC”) and Group Internal Audit (“GIA”) assist the Boards and/or the Audit Committees in reviewing the effectiveness of the Group’s risk management and internal control systems on an ongoing basis. The Boards through these committees are kept regularly apprised of the significant risks that may impact the Group’s performance.

Appropriate policies and controls have been designed and established by the Group to ensure that assets are safeguarded against improper use or disposal, relevant rules and regulations are adhered to and complied with, reliable financial and accounting records are maintained in accordance with relevant accounting standards and regulatory reporting requirements, and key risks that may impact the Group’s reputation and performance are appropriately identified and managed. The systems and internal controls can only provide reasonable, though not absolute, assurance against material misstatement or loss, as they are designed to mitigate rather than eliminate the risk of failure to achieve business objectives.

The Group’s enterprise risk management framework is guided by the “Three Lines of Defence” operating model as shown below:



RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

The First Line of Defence is responsible for identifying and managing risk as part of its accountability for achieving business and operational objectives where it also designs and executes the internal control measures on a daily basis. Being the risk owners, the First Line of Defence has the responsibility to monitor and update the risk profiles on an ongoing basis which are measured against a pre-defined set of likelihood and impact criteria.

The Second Line of Defence provides the policies, frameworks, tools, techniques and advisory support to enable risk and compliance oversight of the First Line of Defence while ascertaining the relevant embedded controls are effective, as well as ensuring the consistency of categorization and measurement of risk attributes. The risk management process integrates both top-down and bottom-up approach to enable the identification, evaluation and management of risks holistically. Mitigation controls will be implemented where opportunities for the enhancement of the existing control environment arise. This process is reviewed regularly by the Audit Committees and the RMCCC such that any material findings will be reported to the Boards.

The Third Line of Defence provides the Boards, executive and senior management of the Group with assurance in an independent and objective manner. Such assurance work covers the effectiveness of governance, risk management, and internal controls, including the manner in which the First and Second Lines of Defence achieve risk management and control objectives.

Group Risk Management and Compliance (“GRM&C”) is responsible for the supervision of enterprise risk management activities while reviewing significant aspects of risk exposures of the Group through reporting to the Audit Committees at each regularly scheduled meeting, including key risks of the Group and the appropriate mitigation and/or transfer of identified risks. The operating units of the HKT Limited Group, as risk owners identify, evaluate, mitigate and monitor their own risks, and report such risk management activities to GRM&C on a regular basis. GRM&C assesses and presents regular reports to the RMCCC at each regularly scheduled meeting.

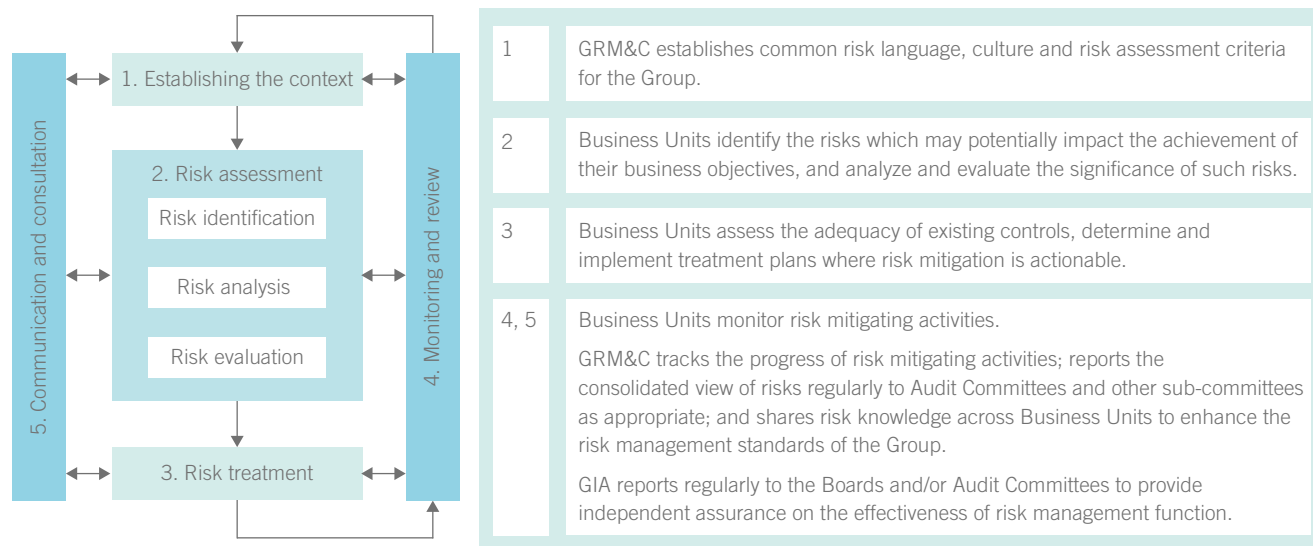
GIA adopts a risk-based audit approach. The annual work plan of GIA covers all major activities and processes of the Group’s operations, businesses and service units. Special reviews are also performed at the request of senior management. The results of these audit activities are communicated to key members of executive and senior management of the Group upon completion, and to the Audit Committees at each regularly scheduled meeting throughout the year. Audit issues are closely tracked and followed up for proper implementation such that progress will be reported to the Audit Committees, executive and senior management of the Group (as the case may be) periodically.

GIA maintains primary accountability to the Boards and independence from the responsibilities of management. The Head of GIA reports functionally to the Chairmen of the Audit Committees, and administratively to the Group Managing Director and the Chief Financial Officer of the Group.

The senior management of the Group, supported by the RMCCC, GRM&C and GIA, is responsible for the design, implementation and monitoring of the enterprise risk management and internal control systems, and for providing regular reports to the Boards and/or the Audit Committees on the effectiveness of these systems.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

The Group incorporates the principles of ISO 31000:2018 Risk Management – Guidelines as its overarching approach to manage its business and operational risks. The following diagram illustrates the key processes used to identify, evaluate and manage the Group’s significant risks:



The Group has adopted policies and procedures for assessing and, where prudent, improving the effectiveness of its enterprise risk management and internal control systems, including the requirement for executive management of the Group to regularly assess and, at least annually to personally certify that such aforementioned matters are deemed appropriate and functioning effectively with the view that they will further enhance the corporate governance of the Group and its business practices.

The Group has embedded its risk management systems in the daily operating practices. On a continuous basis, the respective operating units of the HKT Limited Group review and assess the status of potential risks which may impact their business objectives and/or those of the Group. This review process includes assessment as to whether the existing system of internal controls continues to remain relevant and effective, adequately addresses potential risks, and/or should be supplemented. The results of these reviews are recorded in the operating units risk registers for monitoring and incorporated into the Group’s consolidated repository for analysis of potential strategic implications and for regular reporting to senior management and directors of the Group.

The Audit Committees have established and overseen a whistleblower policy, including a set of comprehensive procedures whereby employees, customers, suppliers and other concerned parties can report any actual or suspected occurrence of improper conduct involving a member of the Group, and for such matters to be investigated and dealt with efficiently in an appropriate, transparent and independent manner while the confidentiality of the whistleblower will be properly protected. The Chairmen of the respective Audit Committees have designated the Head of GIA to receive on their behalf any such reports, to oversee the conduct of subsequent investigations, and to provide information, including recommendations arising from any investigations for consideration by the Audit Committees.

RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

The Group regulates the handling and dissemination of inside information as set out in the Corporate Responsibility Policy and various supplementary procedures are in place to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

The Group has implemented processes to undertake extensive testing of its internal controls, and annual certification is in place to support the assessment of the effectiveness of its enterprise risk management and internal control systems.

During 2021, GRM&C worked closely with the operating units, senior management, and the directors to further enhance the enterprise risk management systems including such activities, among other matters, increasing the number of training sessions and risk workshops; further standardizing risk reporting narrative, classification, and quantification; closer aligning assessment of internal controls with their inherent risks; and increasing the depth and frequency of interactions with the designated directors with respect to the design, operation and findings of the enterprise risk management system. GRM&C presented reports to the Audit Committees where they were reviewed and distributed to the Boards. The same reports highlighted the development progress while assisted the directors in the review of the effectiveness of the enterprise risk management and internal control systems of the Group throughout the year.

During 2021, GIA conducted reviews on the effectiveness of the enterprise risk management and internal control systems of the Group over financial, operational and compliance controls with emphasis on information technology and security, data privacy and protection, business continuity management and corporate procurement. Additionally, the heads of major business and corporate functions of the HKT Limited Group were required to evaluate their internal controls through the process of updating the risk registers of their operating units. These results were assessed by GRM&C and reported to the Audit Committees, which was then reviewed and reported the same to the Boards. GIA would review these risk registers as part of its annual internal audit planning process.

The Audit Committees and the Boards were not aware of any areas of concern that would have a material impact on the financial position or results of operations of the Group (including the Trustee-Manager) and considered the enterprise risk management and internal control systems to be generally effective and adequate including the adequacy of resources, staff qualifications and experience, training programs and budget of the accounting, financial reporting, GRM&C and GIA functions.

In addition to the review of enterprise risk management and internal controls undertaken within the Group, the external auditor also assessed the adequacy and effectiveness of risk management and internal controls as part of their statutory audits. Where appropriate, the external auditor's recommendations are adopted and enhancements to the risk management and internal controls would be made.

Further information on risk management and internal controls adopted and implemented by the Group is available under the "Corporate governance" section on the Company's website.

POTENTIAL CONFLICTS OF INTERESTS

The Trustee-Manager and the Company have instituted the following procedures and established the following measures to deal with potential conflicts of interest issues, including:

- if a director has a conflict of interest in a matter to be considered by the Company Board or the Trustee-Manager Board which the relevant Board has determined to be material, the matter will be dealt with by a physical board meeting rather than a written resolution, and independent non-executive directors who, and whose close associates, have no material interest in the transaction must be present at that board meeting.
- in respect of matters in which PCCW and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by PCCW and/or its subsidiaries to the Company Board or the Trustee-Manager Board to represent PCCW's (or its subsidiaries') interests will abstain from voting. In such matters, the quorum must comprise of a majority of the independent non-executive directors and must exclude any nominee directors appointed by PCCW and/or its subsidiaries.
- where matters concerning the HKT Limited Group relate to transactions entered into or to be entered into with a related party of the Trustee-Manager (which would include relevant associates thereof), the HKT Trust or the Company, the relevant Board is required to consider the terms of the transactions to satisfy itself that the transactions are conducted on normal commercial terms, are not prejudicial to the interests of the HKT Limited Group and the holders of Share Stapled Units and are in compliance with applicable requirements of the Listing Rules and the Trust Deed relating to the transaction in question. The relevant Board will also review these contracts to ensure that they comply with the provisions of the Listing Rules and the Trust Deed relating to connected transactions (as may be amended from time to time) as well as any other guidelines as may from time to time be prescribed by the Securities and Futures Commission of Hong Kong and the Stock Exchange that are applicable to the HKT Trust.
- a regime for all of the existing continuing connected transactions has already been established, with the ongoing requirement that all such transactions (other than those qualifying for an exemption) be reviewed and reported annually by the independent non-executive directors and the external auditor.
- the HKT Trust and the Company has each established an Audit Committee in accordance with the Listing Rules to, among other matters, regularly review their respective risk management and internal control systems and internal audit reports.

COMPANY SECRETARY

Ms. Cheung Hok Chee, Vanessa was appointed as the Group General Counsel and Company Secretary of the Trustee-Manager and the Company in October 2021. She is also the Group General Counsel and Company Secretary of PCCW. All directors of the Trustee-Manager and the Company have access to the advice and services of the company secretary, who is responsible for ensuring that the board procedures are followed, advising the Boards on all corporate governance matters, and arranging induction programs including briefings on the general and specific duties of directors under legal and regulatory requirements for newly appointed directors. The company secretary facilitates the induction and professional development of directors.

During the year ended December 31, 2021, Ms. Cheung has received no less than 15 hours of relevant professional training to refresh her skills and knowledge.

RIGHTS OF HOLDERS OF SHARE STAPLED UNITS

Procedures to convene an extraordinary general meeting of the Company and the HKT Trust and put forward proposals at general meetings

General meetings of the Company shall be convened on the written requisition of any two or more shareholders of the Company deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionists holding as at the date of deposit of the requisition not less than, for as long as the Trust Deed remains in force, 5% or, thereafter, one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

The Trustee-Manager may (and the Trustee-Manager shall at the request in writing of registered holders of units of the HKT Trust holding not less than 5% of the units of the HKT Trust for the time being in issue and outstanding) at any time convene a meeting of registered holders of units of the HKT Trust at such time or place in Hong Kong.

Shareholders of the Company and the holders of units of the HKT Trust can refer to the detailed requirements and procedures as set forth in the relevant sections of the Company Articles and the Trust Deed when making any requisitions or proposals for transaction at the general meetings of the Company and the HKT Trust.

Procedures by which enquiries may be put to the Boards

Holders of Share Stapled Units may send enquiries to the Boards in writing c/o the Corporate Secretariat with the following contact details:

Attention: Company Secretary
Address: 39th Floor, PCCW Tower, Taikoo Place,
979 King's Road, Quarry Bay, Hong Kong
Fax: +852 2962 5926
Email: cosec@hkt.com

INVESTOR RELATIONS AND COMMUNICATION WITH THE HOLDERS OF SHARE STAPLED UNITS

The HKT Trust (including the Trustee-Manager) and the Company are committed to promoting and maintaining effective communication with the holders of Share Stapled Units (both individual and institutional) and other stakeholders. A Unitholders Communication Policy has been adopted for ensuring the HKT Trust and the Company provide the holders of Share Stapled Units and the investment community with appropriate and timely information about the HKT Trust and the Company in order to enable the holders of Share Stapled Units to exercise their rights in an informed manner, and to allow the investment community to engage actively with the HKT Trust and the Company. The Unitholders Communication Policy is available on the Company's website (www.hkt.com/ir).

The Boards approved and adopted a distribution policy in November 2018 which sets out their respective overall objective to deliver steady and sustainable returns to the holders of Share Stapled Units. In proposing any distribution payment, the Boards will take into account a number of factors which include the Group's Adjusted Funds Flow, after adjusting for potential debt repayment, if required, the Group's financial position and results of operation, and other factors the Boards may consider relevant and appropriate. In general, the distribution payment for a financial year will be made on a semi-annual basis. Under the Trust Deed, the HKT Trust is required to distribute 100% of the amounts received from the HKT Limited Group, after deduction of all amounts permitted to be deducted or paid under the Trust Deed. The policy states the current intention of the Company Board which is subject to change.

The Company and the Trustee-Manager encourage two-way communications with institutional and retail investors, as well as financial and industry analysts. Extensive information on the Group's activities is provided in the annual and interim reports and circulars which are sent to the holders of Share Stapled Units and are also available on the websites of the Company and HKEX.

In addition to dispatching this annual report to the holders of Share Stapled Units, financial and other information relating to the Group, HKT Limited Group and the Trustee-Manager and their respective business activities is disclosed on the Company's website in order to promote effective communication.

INVESTOR RELATIONS AND COMMUNICATION WITH THE HOLDERS OF SHARE STAPLED UNITS (CONTINUED)

Regular dialogue takes place with the investment community. Inquiries from individuals on matters relating to their holdings in the Share Stapled Units, the business of the Company and the HKT Trust are dealt with in an informative and timely manner. The relevant contact information is provided on page 219 of this annual report and also provided in the Unitholders Communication Policy.

In light of the development of the current COVID-19 situation, holders of Share Stapled Units are strongly encouraged to appoint the chairman of the 2022 Combined Annual General Meeting (“AGM”) as their proxy to vote according to their indicated voting instructions and view the live webcast of the AGM proceedings, instead of attending the AGM in person. Reasonable notice for the AGM will be given in compliance with applicable requirements. The Trustee-Manager and the Company will continue to monitor the COVID-19 situation and may implement further precautionary measures at the AGM which will be set out in the circular to holders of Share Stapled Units and on the Company’s website as appropriate.

CONSTITUTIONAL DOCUMENTS

During the year ended December 31, 2021, there were no changes made to the Company Articles and the Trust Deed. Copies of these constitutional documents are available on the websites of the Company and HKEX.

By order of the boards of
HKT Management Limited and
HKT Limited

Cheung Hok Chee, Vanessa

Group General Counsel and Company Secretary

Hong Kong, February 24, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Total revenue increased by 5% to HK\$33,961 million, reflecting continued strong demand for fixed broadband services, the broader 5G adoption by both consumers and enterprises and robust handset sales
- Total EBITDA increased by 2% to HK\$12,733 million; increased by 5% if adjusted for impact of Employment Support Scheme (“ESS”) in 2020
- Adjusted Funds Flow increased by 2.4% to HK\$5,513 million
- Reflecting the breadth and scale of our diversified business portfolio, resilient demand for our core services while improvements on operational efficiencies continued
- Profit before income tax, excluding other gains/losses, net, was stable at HK\$5,827 million
- Profit attributable to holders of Share Stapled Units amounted to HK\$4,808 million; basic earnings per Share Stapled Unit was 63.49 HK cents
- Final distribution per Share Stapled Unit is 42.07 HK cents, resulting in a total distribution of 72.77 HK cents representing the full payout of Adjusted Funds Flow per Share Stapled Unit for the year

MANAGEMENT REVIEW

We are pleased to announce that HKT recorded solid results and a steady rise in adjusted funds flow for the year ended December 31, 2021 as the second half of the year was buoyed by government economic stimulus, a stabilized COVID situation and a resumption of economic activities.

With demand for fast and reliable connectivity remaining strong, the Telecommunications Services (“TSS”) benefited on the back of its well-established and resilient network as well as its enterprise focused services. The consumer broadband business witnessed an expansion in its subscriber base with further subscriptions to its fiber-to-the-home (“FTTH”) services and take-up of Home Wi-Fi solutions lifting average revenue per user (“ARPU”). The enterprise segment demonstrated robust growth as enterprise

customers accelerated their digital transformation during the year. As a result, the local data services business registered 4% growth in revenue during the year. The International Telecommunications Services business was impacted by a moderation in wholesale voice revenue and the absence of lumpy one-off cable revenues from the prior year. Consequently, total TSS revenue edged down by 2% to HK\$21,812 million. However, after excluding the International Telecommunications Services business, revenue from our local TSS business increased by 1% year-on-year. Total TSS EBITDA increased by 1% to HK\$8,468 million with the margin improving to 39%, reflecting the shift in revenue mix towards local data services and productivity improvements achieved during the year.

MANAGEMENT REVIEW (CONTINUED)

The Mobile business recorded healthy 13% growth in total revenue to HK\$11,748 million during the year. The 2% growth in local core revenue reflected the ARPU uplift from new subscriptions and upgrades to our 5G plans as well as a continued expansion in our customer base. Roaming overhang persisted due to the strict travel conditions in Hong Kong which partially offset the local revenue growth resulting in Mobile services revenue growth of 1%. Mobile product sales returned to more than pre-pandemic levels reflecting consumer upgrades to new 5G handset models amid improved sentiment stimulated by the Government's Consumption Voucher Scheme. EBITDA from the Mobile segment increased by 1% to HK\$4,780 million during the year, in line with growth in Mobile services revenue.

The Pay TV business, which included the first full-year contribution from Now TV, generated revenue of HK\$2,456 million and EBITDA of HK\$481 million for the year ended December 31, 2021. Despite rising competition from direct-to-consumer ("D2C") over-the-top ("OTT") players, Now TV delivered resilient business performance due to its unrivalled sports content offering, growing subscriptions on its Now E streaming service and healthy growth in advertising revenue. Pro-forma EBITDA grew by 6% during the year, aided by savings in content costs and the benefits accruing from HKT's quadplay platform.

As a result, HKT's total revenue for the year increased by 5% to HK\$33,961 million and total EBITDA increased by 2% to HK\$12,733 million. Total EBITDA increased by 5% if adjusted for the impact of ESS in 2020.

Profit attributable to holders of share stapled units of the HKT Trust and HKT ("Share Stapled Units") was HK\$4,808 million for the year. This was impacted by the absence of one-time other gains recorded in 2020 and higher depreciation and amortization expenses from the Now TV integration and re-assignment of mobile spectrum. Basic earnings per Share Stapled Unit was 63.49 HK cents.

Adjusted funds flow for the year ended December 31, 2021 rose to HK\$5,513 million, an increase of 2.4% over the previous year. Annual adjusted funds flow per Share Stapled Unit was 72.77 HK cents.

The board of directors of the Trustee-Manager has recommended the payment of a final distribution of 42.07 HK cents per Share Stapled Unit for the year ended December 31, 2021. This brings the 2021 full-year distribution to 72.77 HK cents per Share Stapled Unit (comprising 30.70 HK cents as interim distribution and 42.07 HK cents as final distribution) representing the full payout of the annual adjusted funds flow per Share Stapled Unit.

OUTLOOK

Just as Hong Kong was gradually pulling itself out of the economic quagmire, the Omicron variant strain has thrown a spanner in the works. As before, HKT will continue to exercise vigilance against escalation of the pandemic situation and respond appropriately to protect our employees and customers while ensuring business continuity and our quality services.

Looking ahead, HKT will continue to maximize the synergy of our quadplay businesses and leverage the group assets of PCCW Limited to establish new competitive edges to bolster our market-leading fiber broadband, mobile and pay-TV businesses, all of which turned in a robust performance last year despite the challenging market conditions.

With increasing consumer uptake, we will be able to further unlock the value of our 5G network and realize ARPU uplift through the development of augmented reality ("AR") and virtual reality ("VR") applications and content as part of our foray into the metaverse.

As a technological innovator in full support of Hong Kong's aspiration to become a smart city, HKT is also committed to helping enterprises and public bodies navigate their digital transformation journeys. Farther afield, we are constantly on the lookout for opportunities to contribute to the development of the Greater Bay Area.

Under the new normal, consumers are increasingly gravitating toward all things digital. HKT will continue to nurture its digital ecosystem, integrating its loyalty program and a host of online services meeting customers' health, banking, and other needs.

On November 29, 2021, HKT celebrated the 10th anniversary of its Hong Kong stock exchange listing. The numerous milestones achieved by the Company in the past decade have been a collective effort of our staff, business partners, customers, and other supporters, for which we are truly grateful. Such collaborative efforts form a part of HKT's DNA, driving our energy and progress to give us a competitive advantage.

Having laid a solid foundation, HKT is poised for further growth when the economy regains its footing, as we are well placed to transform Hong Kong and the public's way of living with even more game-changing products and services.

FINANCIAL REVIEW BY SEGMENT

| For the year ended December 31, HK\$ million | 2020 | | | 2021 | | | Better/ (Worse) y-o-y |
|---|----------------|----------------|-----------------|----------------|----------------|-----------------|-----------------------------|
| | H1 | H2 | Full Year | H1 | H2 | Full Year | |
| Revenue | | | | | | | |
| TSS | 10,386 | 11,971 | 22,357 | 10,243 | 11,569 | 21,812 | (2)% |
| – Local TSS Services | 6,622 | 8,091 | 14,713 | 6,926 | 7,880 | 14,806 | 1% |
| – International Telecommunications Services | 3,764 | 3,880 | 7,644 | 3,317 | 3,689 | 7,006 | (8)% |
| Mobile | 4,543 | 5,823 | 10,366 | 5,108 | 6,640 | 11,748 | 13% |
| – Mobile Services | 3,573 | 4,184 | 7,757 | 3,577 | 4,241 | 7,818 | 1% |
| – Mobile Product Sales | 970 | 1,639 | 2,609 | 1,531 | 2,399 | 3,930 | 51% |
| Pay TV | – | 647 | 647 | 1,231 | 1,225 | 2,456 | 280% |
| Other Businesses | 155 | 210 | 365 | 408 | 464 | 872 | 139% |
| Eliminations | (478) | (868) | (1,346) | (1,347) | (1,580) | (2,927) | (117)% |
| Total revenue | 14,606 | 17,783 | 32,389 | 15,643 | 18,318 | 33,961 | 5% |
| Total revenue (excluding Mobile Product Sales) | 13,636 | 16,144 | 29,780 | 14,112 | 15,919 | 30,031 | 1% |
| Cost of sales | (6,941) | (8,762) | (15,703) | (7,550) | (9,179) | (16,729) | (7)% |
| Operating costs before depreciation, amortization, and gains on disposal of property, plant and equipment and right-of-use assets, net | (2,119) | (2,040) | (4,159) | (2,378) | (2,121) | (4,499) | (8)% |
| EBITDA¹ | | | | | | | |
| TSS | 3,801 | 4,611 | 8,412 | 3,824 | 4,644 | 8,468 | 1% |
| Mobile | 2,050 | 2,697 | 4,747 | 2,072 | 2,708 | 4,780 | 1% |
| – Mobile Services | 2,057 | 2,639 | 4,696 | 2,058 | 2,643 | 4,701 | – |
| – Mobile Product Sales | (7) | 58 | 51 | 14 | 65 | 79 | 55% |
| Pay TV | – | 174 | 174 | 212 | 269 | 481 | 176% |
| Other Businesses | (305) | (501) | (806) | (393) | (603) | (996) | (24)% |
| Total EBITDA¹ | 5,546 | 6,981 | 12,527 | 5,715 | 7,018 | 12,733 | 2% |
| TSS EBITDA¹ Margin | 37% | 39% | 38% | 37% | 40% | 39% | |
| Mobile EBITDA¹ Margin | 45% | 46% | 46% | 41% | 41% | 41% | |
| – Mobile Services EBITDA ¹ Margin | 58% | 63% | 61% | 58% | 62% | 60% | |
| Pay TV EBITDA¹ Margin | – | 27% | 27% | 17% | 22% | 20% | |
| Total EBITDA¹ Margin | 38% | 39% | 39% | 37% | 38% | 37% | |
| Total EBITDA¹ Margin (excluding Mobile Product Sales) | 41% | 43% | 42% | 40% | 44% | 42% | |
| Depreciation and amortization | (2,491) | (2,850) | (5,341) | (2,751) | (2,901) | (5,652) | (6)% |
| Gains on disposal of property, plant and equipment and right-of-use assets, net | 2 | – | 2 | 2 | 22 | 24 | >500% |
| Other (losses)/gains, net | (50) | 411 | 361 | – | (8) | (8) | NA |
| Finance costs, net | (658) | (638) | (1,296) | (561) | (587) | (1,148) | 11% |
| Share of results of associates and joint ventures | (30) | (49) | (79) | (63) | (67) | (130) | (65)% |
| Profit before income tax | 2,319 | 3,855 | 6,174 | 2,342 | 3,477 | 5,819 | (6)% |
| Profit before income tax (excluding other (losses)/gains, net) | 2,369 | 3,444 | 5,813 | 2,342 | 3,485 | 5,827 | – |

ADJUSTED FUNDS FLOW³

| For the year ended December 31, HK\$ million | 2020 | | | 2021 | | | Better/ (Worse) y-o-y |
|---|---------|---------|-----------|----------------|----------------|----------------|-----------------------------|
| | H1 | H2 | Full Year | H1 | H2 | Full Year | |
| Total EBITDA¹ | 5,546 | 6,981 | 12,527 | 5,715 | 7,018 | 12,733 | 2% |
| Less cash outflows in respect of capital expenditures, customer acquisition costs and licence fees ² : | | | | | | | |
| Capital expenditures | (1,169) | (1,208) | (2,377) | (1,170) | (1,208) | (2,378) | – |
| Customer acquisition costs and licence fees | (411) | (921) | (1,332) | (534) | (1,166) | (1,700) | (28)% |
| Fulfillment costs | (289) | (228) | (517) | (227) | (260) | (487) | 6% |
| Right-of-use assets | (764) | (826) | (1,590) | (809) | (815) | (1,624) | (2)% |
| Adjusted funds flow³ before tax paid, net finance costs paid and changes in working capital | 2,913 | 3,798 | 6,711 | 2,975 | 3,569 | 6,544 | (2)% |
| Adjusted for: | | | | | | | |
| Net finance costs paid | (378) | (372) | (750) | (281) | (319) | (600) | 20% |
| Tax payment | (149) | (367) | (516) | (180) | (194) | (374) | 28% |
| Changes in working capital | (106) | 45 | (61) | (188) | 131 | (57) | 7% |
| Adjusted funds flow³ | 2,280 | 3,104 | 5,384 | 2,326 | 3,187 | 5,513 | 2.4% |
| Annual adjusted funds flow per Share Stapled Unit (HK cents)⁴ | | | 71.07 | | | 72.77 | |

KEY OPERATING DRIVERS⁵

| | 2020 | | 2021 | | Better/ (Worse) y-o-y |
|---|-------|-------|--------------|--------------|-----------------------------|
| | H1 | H2 | H1 | H2 | |
| Exchange lines in service ('000) | 2,564 | 2,522 | 2,486 | 2,443 | (3)% |
| Business lines ('000) | 1,227 | 1,212 | 1,206 | 1,195 | (1)% |
| Residential lines ('000) | 1,337 | 1,310 | 1,280 | 1,248 | (5)% |
| Total broadband access lines ('000) (Consumer, business and wholesale) | 1,622 | 1,627 | 1,634 | 1,637 | 1% |
| Retail consumer broadband access lines ('000) | 1,454 | 1,457 | 1,464 | 1,461 | 0.3% |
| Retail business broadband access lines ('000) | 157 | 160 | 161 | 163 | 2% |
| Mobile subscribers ('000) | 4,372 | 4,605 | 4,477 | 4,770 | 4% |
| Post-paid subscribers ('000) | 3,250 | 3,252 | 3,263 | 3,297 | 1% |
| Prepaid subscribers ('000) | 1,122 | 1,353 | 1,214 | 1,473 | 9% |
| Pay TV installed base ('000) | – | 1,348 | 1,352 | 1,373 | 2% |
| The Club members ('000) | 3,043 | 3,178 | 3,293 | 3,541 | 11% |
| Tap & Go accounts in service ('000) | 2,629 | 2,744 | 3,003 | 3,603 | 31% |

^{Note 1} EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortization, gains/losses on disposal of property, plant and equipment, 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} Group capital expenditures represent additions to property, plant and equipment and interests in leasehold land. Fulfillment costs and right-of-use assets are considered as part of customer acquisition costs and capital expenditures, respectively, for the purpose of adjusted funds flow calculation.

^{Note 3} 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. The Group's adjusted funds flow is computed in accordance with the above definition using financial information derived from the Group's audited consolidated financial statements. The adjusted funds flow may be used for debt repayment.

^{Note 4} Annual adjusted funds flow per Share Stapled Unit is calculated by dividing the adjusted funds flow for the year by the number of Share Stapled Units in issue as at the respective year end.

^{Note 5} Figures are stated as at the period end.

^{Note 6} Gross debt refers to the principal amount of short-term borrowings and long-term borrowings.

Telecommunications Services

| For the year ended December 31, HK\$ million | 2020 | | | 2021 | | | Better/ (Worse) y-o-y |
|--|---------|---------|-----------|----------------|----------------|-----------------|-----------------------------|
| | H1 | H2 | Full Year | H1 | H2 | Full Year | |
| TSS Revenue | | | | | | | |
| Local TSS Services | 6,622 | 8,091 | 14,713 | 6,926 | 7,880 | 14,806 | 1% |
| – Local Data Services | 3,696 | 4,521 | 8,217 | 3,877 | 4,683 | 8,560 | 4% |
| – Local Telephony Services | 1,532 | 1,552 | 3,084 | 1,449 | 1,377 | 2,826 | (8)% |
| – Other Services | 1,394 | 2,018 | 3,412 | 1,600 | 1,820 | 3,420 | – |
| International Telecommunications Services | 3,764 | 3,880 | 7,644 | 3,317 | 3,689 | 7,006 | (8)% |
| Total TSS Revenue | 10,386 | 11,971 | 22,357 | 10,243 | 11,569 | 21,812 | (2)% |
| Cost of sales | (5,346) | (6,539) | (11,885) | (5,305) | (6,149) | (11,454) | 4% |
| Operating costs before depreciation and amortization | (1,239) | (821) | (2,060) | (1,114) | (776) | (1,890) | 8% |
| Total TSS EBITDA¹ | 3,801 | 4,611 | 8,412 | 3,824 | 4,644 | 8,468 | 1% |
| TSS EBITDA¹ margin | 37% | 39% | 38% | 37% | 40% | 39% | |

Local TSS revenue grew by 1% to HK\$14,806 million for the year ended December 31, 2021 underpinned by an increase of 4% in Local Data Services revenue to HK\$8,560 million, a revenue base now representing 58% of the Local TSS Services segment. Local Telephony Services generated HK\$2,826 million in revenue reflecting the continued industry shift away from traditional voice towards broadband and mobile services. Revenue from International Telecommunications Services came in at HK\$7,006 million during the year. As a result, total TSS revenue edged down 2% to HK\$21,812 million.

Local Data Services. Comprising broadband network revenue and local data revenue, Local Data Services revenue rose by 4% to HK\$8,560 million for the year ended December 31, 2021.

The Broadband Network business recorded revenue growth for the 14th successive year, with revenue increasing by 2%. The business continued to benefit from the superior quality and reliability of HKT's fiber network and the success of our three-pronged strategy. This strategy encompasses the targeted marketing of our leading FTTH service through the brands of "HKT Premier", "NETVIGATOR" and "LiKE100" with our diverse range of value added services. With home entertainment, online learning and remote work arrangements being the norm, demand for fast and reliable broadband connectivity and Home Wi-Fi solutions remained strong during the year.

Despite fierce price competition and elevated line terminations due to households relocating overseas, the business achieved an overall net gain in broadband customers during the year, with total broadband access lines growing by 1% to 1.637 million as at the end of December 2021. Of these, 944,000 were FTTH connections which represented a net increase of 52,000 or 6% growth from a year earlier. Penetration of our Home Wi-Fi solutions also continued to rise steadily, which helped lift overall ARPU. During the year, a total of 333,000 customers subscribed to our Home Wi-Fi solutions, up 8% compared to the previous year and representing 23% of the consumer broadband base.

The enterprise segment delivered robust growth momentum during the year as enterprise customers accelerated their digital transformation, recognizing the urgency and necessity of adopting digital solutions which has been amplified by the pandemic. This drove demand for our wide range of fixed-mobile converged solutions that now incorporate not only 5G but also artificial intelligence, Internet of Things and other new, emerging technologies. As a result, local data revenue recorded substantial growth of 8% for the year ended December 31, 2021.

Telecommunications Services (CONTINUED)

Local Telephony Services. Local Telephony Services revenue was HK\$2,826 million for the year ended December 31, 2021 versus HK\$3,084 million a year earlier. This result reflected the continued migration of residential fixed-line customers to our broadband and mobile services, coupled with increased fixed-line terminations due to household relocations, as well as continued softness in the small and medium-sized enterprise segment during the year. As such, the total number of fixed lines in service at the end of December 2021 was 2.443 million, compared to 2.522 million a year earlier.

Other Services. Other Services revenue comes mainly from the sale of network equipment and customer premises equipment and the provision of technical and maintenance subcontracting services and contact center services (“Teleservices”). Other services revenue for the year ended December 31, 2021 remained steady at HK\$3,420 million.

International Telecommunications Services. International Telecommunications Services revenue was HK\$7,006 million for the year ended December 31, 2021 versus HK\$7,644 million a year earlier. The pullback primarily stemmed from the global wholesale voice business which was affected by the curtailment of international travel and a shift in voice traffic to digital platforms as well as the absence of lumpy one-off cable revenues that occurred in 2020. However, wholesale voice is a relatively thin margin business. As cloud computing adoption continues to spread globally, demand for cloud interconnectivity services offered through our Console Connect platform grew. To support this growth, Console Connect has extended its reach and, as of the end of December 2021, allowed users to instantly reach almost 600 data centers and 150 cloud zones globally on an on-demand basis.

The TSS business registered an increase in EBITDA of 1% to HK\$8,468 million with the EBITDA margin increasing to 39%, primarily due to the shift in revenue mix towards Local Data Services and further operating efficiencies amid an ongoing focus on cost initiatives during the year.

Mobile

| For the year ended December 31, HK\$ million | 2020 | | | 2021 | | | Better/ (Worse) y-o-y |
|--|--------------|--------------|---------------|--------------|--------------|---------------|-----------------------------|
| | H1 | H2 | Full Year | H1 | H2 | Full Year | |
| Mobile Revenue | | | | | | | |
| Mobile Services | 3,573 | 4,184 | 7,757 | 3,577 | 4,241 | 7,818 | 1% |
| Mobile Product Sales | 970 | 1,639 | 2,609 | 1,531 | 2,399 | 3,930 | 51% |
| Total Mobile Revenue | 4,543 | 5,823 | 10,366 | 5,108 | 6,640 | 11,748 | 13% |
| Mobile EBITDA¹ | | | | | | | |
| Mobile Services | 2,057 | 2,639 | 4,696 | 2,058 | 2,643 | 4,701 | – |
| Mobile Product Sales | (7) | 58 | 51 | 14 | 65 | 79 | 55% |
| Total Mobile EBITDA¹ | 2,050 | 2,697 | 4,747 | 2,072 | 2,708 | 4,780 | 1% |
| Mobile EBITDA¹ margin | 45% | 46% | 46% | 41% | 41% | 41% | |
| <i>Mobile Services EBITDA¹ margin</i> | <i>58%</i> | <i>63%</i> | <i>61%</i> | <i>58%</i> | <i>62%</i> | <i>60%</i> | |

The Mobile business recorded a healthy 13% growth in revenue to HK\$11,748 million for the year ended December 31, 2021.

Mobile services revenue rose by 1% to HK\$7,818 million, as the 2% growth in local core revenue more than offset the overhang of moderated roaming and IDD revenue resulting from extended travel restrictions. The expansion in local core revenue benefited from the ARPU uplift from new subscriptions and upgrades to our 5G plans alongside growth in our overall customer base.

Mobile product sales increased by 51% to HK\$3,930 million reflecting consumer upgrades to new 5G handset models amid improved sentiment and increased spending stimulated by the Government's Consumption Voucher Scheme. Revenue growth was also aided by our digital platform, Club Shopping, which provides customers with a convenient service through our "redeem and shop" offerings that also helps to build customer loyalty.

Despite intense market competition, the Mobile business continued to report a net gain in post-paid customers to 3.297 million in 2021, representing net additions of 45,000 or 1% growth during the year. By leveraging The Club to deepen

customer engagement and loyalty, the churn rate for post-paid customers reached an all-time low of 0.7% in 2021.

In November 2021, the Mobile business launched a unique and innovative digital campaign "csl 5G x MIRROR" which incorporated AR technology. Receiving an overwhelming response, the campaign has helped to further drive subscriptions to our 5G plans. As at the end of December 2021, our 5G customer base was 680,000. By January 2022, this had increased further to 756,000 customers representing 23% of our post-paid base as subscribers were pulled in by our first to market 5G celebrity premium plans. The post-paid exit ARPU as at December 31, 2021 rebounded by 2% to HK\$187 versus HK\$184 as at December 31, 2020, primarily driven by the 5G service plan uplift.

Mobile services EBITDA for the year was steady at HK\$4,701 million with a margin of 60% reflecting continuing discipline in operating expenditure and optimization of offline-to-online sales channels. Total Mobile EBITDA for the year increased by 1% to HK\$4,780 million from HK\$4,747 million a year earlier supported by the healthy growth in Mobile product sales.

Pay TV

The Pay TV business, which included the first full-year contribution from Now TV, recorded revenue of HK\$2,456 million for the year ended December 31, 2021. Despite rising competition from global D2C OTT players, Now TV delivered a resilient business performance with a significant increase of 56% in pro-forma revenue from its Now E streaming service and growth of 17% in pro-forma advertising revenue during the year.

By the end of December 2021, Now TV's installed base grew by 2% to 1.373 million, compared to 1.348 million at the end of December 2020. This performance reflected our unrivalled sports content offering including the exclusive broadcast of UEFA EURO 2020™ and Tokyo 2020 Olympics in 2021. Take-up of our Now E streaming service continued to perform well with its unique content proposition and flexible subscription plans. It is particularly popular among the millennial segment, which is more accustomed to non-linear entertainment consumption.

Now TV strives to bring world-class sporting events to the Hong Kong market. It offers the widest range of football programming in Hong Kong with broadcasts of the Premier League ("PL"), UEFA Champions League, Europa League, La Liga, Serie A and Ligue 1. During 2021, Now TV secured the broadcast rights for key sporting content including the Formula One, UFC, Tennis Grand Slams and Moto GP, and recently renewed its exclusive PL broadcast rights for another three seasons. Moreover, new interactive features for live football matches such as Multi-Angle, Watch Party and Third Audio were also launched to enhance customer enjoyment and deepen customer engagement.

Apart from sports, Now TV is enhancing the breadth and depth of self-curated content by offering award-winning documentaries and inspiring true stories on Now True and a range of Western and Chinese dramas for Now Studio video-on-demand ("VOD") services. Our wide range of VOD libraries currently cover movie, drama, documentary, variety show, kids and infotainment etc. with over 30,000 hours of on demand, compelling content.

Now TV has recently strengthened its offerings in the educational segment by launching a cross TV and online tutoring service that offers digital learning packages for junior secondary students.

EBITDA for the year ended December 31, 2021 amounted to HK\$481 million, representing a margin of 20%. Pro-forma EBITDA grew by 6% during the year, aided by strenuous efforts to rationalize content costs and the benefits accruing from HKT's quadplay platform.

Other Businesses

Primarily comprising new business areas such as The Club and HKT Financial Services, as well as corporate support functions, Other Businesses recorded a substantial revenue growth of 139% to HK\$872 million for the year ended December 31, 2021 versus HK\$365 million a year earlier, primarily driven by the strong performance of Club Shopping.

The Club's membership base further expanded by 11% to 3.54 million as of December 31, 2021 versus 3.18 million a year earlier. During the year, The Club succeeded not only in attracting new members but also in deepening engagement with members as the full convergence of multiple online businesses into a single online platform enhanced the customer experience and drove traffic and transactions with rewards. As a result, gross merchandise value ("GMV") on Club Shopping more than doubled from a year ago.

In the second half of 2021, Tap & Go assisted the Government in disbursing consumption vouchers to help invigorate the local economy and promote electronic payment methods in Hong Kong. As such, Tap & Go recorded a significant growth in both consumer and merchant users, together with substantial increases year-on-year in both online and physical store transaction volumes. As at December 31, 2021, Tap & Go had over 3.60 million accounts in service, an increase of 31% from 2.74 million a year earlier.

Eliminations

Eliminations were HK\$2,927 million for the year ended December 31, 2021 versus HK\$1,346 million a year earlier, reflecting the increased collaboration across all of HKT's business segments and the full-year impact of the integration of Now TV business with HKT.

Cost of Sales

Cost of sales for the year ended December 31, 2021 increased by 7% to HK\$16,729 million, reflecting the costs associated with higher Mobile product sales and the full-year impact of the integration of Now TV business during the year.

General and Administrative Expenses

For the year ended December 31, 2021, the Group achieved savings of 9% in operating costs before depreciation, amortization, and gains on disposal of property, plant and equipment and right-of-use assets, net ("operating costs") for the TSS and Mobile businesses due to the continuous focus on operating efficiency through digitalizing business processes as well as optimizing offline-to-online sales channels and retail footprint. These savings were reinvested in new businesses including The Club, Tap & Go and DrGo to support their growth momentum. Nevertheless, operating costs excluding the Pay TV business remained flat during the year. After taking into account the full-year impact of the integration of Now TV business, total operating costs for the year increased by 8% to HK\$4,499 million, and the operating costs-to-revenue ratio was 13.2% versus 12.8% a year earlier.

Depreciation expenses increased by 4% and amortization expenses increased by 7% during the year, largely due to the full-year impact of the integration of Now TV business and an increase in the amortization of the 900MHz and 1800MHz mobile spectrum licenses arising from the reassignment in 2021. As such, total depreciation and amortization expenses increased by 6% to HK\$5,652 million for the year ended December 31, 2021.

As a result of the above, general and administrative expenses increased by 7% to HK\$10,127 million for the year ended December 31, 2021 versus HK\$9,498 million a year earlier.

EBITDA¹

Total EBITDA increased by 2% to HK\$12,733 million for the year ended December 31, 2021 versus HK\$12,527 million a year earlier. The overall EBITDA margin was 37% in 2021 versus 39% a year earlier, primarily due to the increased share of revenue contributed by Mobile product sales. Excluding Mobile product sales, the EBITDA margin held steady at 42% for the year.

Finance Costs, Net

Net finance costs for the year ended December 31, 2021 decreased by 11% to HK\$1,148 million from HK\$1,296 million a year earlier, mainly due to a lower prevailing HIBOR during the year. The average cost of debt decreased to 2.4% during the year, compared to 2.9% a year earlier. We will continue to closely monitor the interest rate environment to optimize the ratio of floating to fixed rate debt.

Income Tax

Income tax expense for the year ended December 31, 2021 was HK\$997 million, as compared to HK\$855 million a year earlier. The effective tax rate for the year was 17.1%, compared to 13.8% a year earlier. The lower effective tax rate in 2020 was mainly due to certain non-taxable one-off capital gains and credits.

Non-controlling Interests

Non-controlling interests of HK\$14 million (2020: HK\$16 million) mainly comprised the net profit attributable to the non-controlling shareholders of Sun Mobile Limited.

Profit Attributable to Holders of Share Stapled Units/ Shares of the Company

Profit attributable to holders of Share Stapled Units/shares of the Company for the year ended December 31, 2021 was HK\$4,808 million (2020: HK\$5,303 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.

HKT's gross debt⁶ was HK\$43,886 million as at December 31, 2021 (December 31, 2020: HK\$42,493 million). Cash and short-term deposits totaled HK\$2,883 million as at December 31, 2021 (December 31, 2020: HK\$2,630 million). HKT's gross debt⁶ to total assets was 40% as at December 31, 2021 (December 31, 2020: 41%).

As at December 31, 2021, HKT had ample liquidity as evidenced by banking facilities totaling HK\$32,209 million, of which HK\$9,878 million remained undrawn.

CREDIT RATINGS OF HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at December 31, 2021, Hong Kong Telecommunications (HKT) Limited, an indirect wholly-owned subsidiary of the Company, had investment grade ratings with Moody's Investors Service (Baa2) and S&P Global Ratings (BBB).

CAPITAL EXPENDITURE²

Capital expenditure including capitalized interest for the year ended December 31, 2021 was HK\$2,458 million (2020: HK\$2,437 million). Capital expenditure relative to revenue was 7.2% for the year ended December 31, 2021 (2020: 7.5%).

Capital expenditure for HKT's Mobile business was steady in 2021 with spending focused on our 5G network expansion and enrichment. TSS capital expenditure dropped during the year, in line with the capital expenditure cycle of our extensive local fiber network and international cable systems. Overall capital expenditure increased slightly by 1% during the year due to the full-year impact of the integration of Now TV business with HKT.

HKT will continue to invest in building digital capabilities to support its existing businesses and enable its growth in new areas, and prudently invest in expanding its 5G network, taking into account the prevailing market conditions, and using assessment criteria including internal rate of return, net present value and payback period.

ADJUSTED FUNDS FLOW³

Adjusted funds flow increased by 2.4% to HK\$5,513 million for the year ended December 31, 2021 from HK\$5,384 million for the year ended December 31, 2020. Growth was driven by the 2% expansion in EBITDA, disciplined capex investments and lower fulfillment costs. There was also a 20% reduction in net finance costs paid and lower tax payment during the year. These positive factors were partially offset by the higher customer acquisition costs and right-of-use asset payments associated with the full-year impact of the integration of Now TV business, and higher licence fees arising from the re-assignment of mobile spectrum in 2021.

The amounts presented in adjusted funds flow calculation represent the respective cash flows to the Group during the year, which may be different from the related corresponding amounts recognized in the consolidated income statement due to various reasons such as non-cash items recognized in the consolidated income statement and timing difference between accounting recognition and actual cash flows.

HEDGING

Market risk arises from foreign currency and interest rate exposure related to investments and financing. As a matter of policy, HKT 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 of directors of the Company, determines the 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 policies and guidelines approved by the Finance and Management Committee, which are reviewed on a regular basis.

More than three quarters of HKT'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.

A significant portion of HKT's financing is denominated in foreign currencies including United States dollars. Accordingly, HKT 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, 2021, all forward and swap contracts were designated as cash flow hedges for the related financing of HKT.

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

CHARGE ON ASSETS

As at December 31, 2021, no assets of the Group (2020: nil) were pledged to secure loans and banking facilities of HKT.

CONTINGENT LIABILITIES

| As at December 31, HK\$ million | 2020 | 2021 |
|------------------------------------|------|------------|
| Performance guarantees | 955 | 994 |
| Others | 18 | 2 |
| | 973 | 996 |

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

HKT had over 15,400 employees as at December 31, 2021 (2020: 16,300) located in 21 countries and cities. About 67% of these employees work in Hong Kong and the others are based mainly in mainland China, the Philippines and the United States. HKT has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for HKT as a whole and for each of the individual business units and performance ratings of employees.

FINAL DIVIDEND/DISTRIBUTION

The board of directors of the Trustee-Manager has recommended the payment of a final distribution by the HKT Trust in respect of the Share Stapled Units, of 42.07 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the trust deed dated November 7, 2011 constituting the HKT Trust (the "Trust Deed")), in respect of the year ended December 31, 2021 (and in order to enable the HKT Trust to pay that distribution, the board of directors of the Company has recommended the payment of a final dividend in respect of the ordinary shares in the Company held by the Trustee-Manager, of 42.07 HK cents per ordinary share, in respect of the same period), subject to the approval of unitholders of the HKT Trust and of shareholders of the Company at the forthcoming annual general meeting of unitholders of the HKT Trust and of shareholders of the Company to be held on a combined basis as a single meeting characterized as an annual general meeting of registered holders of Share Stapled Units ("AGM"). An interim distribution/dividend of 30.70 HK cents per Share Stapled Unit/ordinary share of the Company for the six months ended June 30, 2021 was paid to holders of Share Stapled Units/shareholder of the Company in September 2021.

The board of directors of the Trustee-Manager has confirmed, in accordance with the Trust Deed, that (i) the auditor of the Group has performed limited assurance procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants to review and verify the Trustee-Manager's calculation of the above distribution entitlement per Share Stapled Unit and (ii) having made all reasonable enquiries, immediately after making the above distribution to the registered unitholders of the HKT Trust, the Trustee-Manager will be able to fulfill, from the Trust Property (as defined in the Trust Deed), the liabilities of the HKT Trust as they fall due.

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COMBINED REPORT OF THE DIRECTORS

The board of directors of HKT Management Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the HKT Trust) (the “Trustee-Manager Board”) and the board of directors of HKT Limited (the “Company” or “HKT”) (the “Company Board”) present their combined report together with the audited consolidated financial statements of (i) the HKT Trust and the Company and its subsidiaries (collectively the “Group”) and (ii) the Company and its subsidiaries (collectively the “HKT Limited Group”) (the consolidated financial statements of the Group and the HKT Limited Group are presented together and referred to as the “HKT Trust and HKT Limited consolidated financial statements”) for the year ended December 31, 2021.

The Trustee-Manager Board also presents its audited financial statements for the year ended December 31, 2021, which are set out in the accompanying financial statements on pages 207 to 218.

PRINCIPAL ACTIVITIES

The HKT Trust, a trust constituted on November 7, 2011 under the laws of the Hong Kong Special Administrative Region (“Hong Kong”) and managed by the Trustee-Manager, has been established as a fixed single investment trust, with its activities being limited to investing in the Company and anything necessary or desirable for or in connection with investing in the Company.

The principal activity of the Company is investment holding, and the principal activities of the HKT Limited Group are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, FinTech, e-Commerce, Big Data Analytics, media entertainment including the provision of interactive pay-TV services, 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.

The principal activities of the Company’s principal subsidiaries and the Group’s principal joint venture are set out in notes 25 and 22 respectively to the HKT Trust and HKT Limited consolidated financial statements.

An analysis of the Group’s performance for the year by operating segment is set out in note 7 to the HKT Trust and HKT Limited consolidated financial statements.

The Trustee-Manager, an indirect wholly-owned subsidiary of PCCW Limited (“PCCW”), has a specific and limited role which is to administer the HKT Trust. The Trustee-Manager is not actively engaged in running the businesses managed by the HKT Limited Group. The Trustee-Manager itself does not beneficially own any subsidiary.

BUSINESS REVIEW

A fair review of the business of the Group during the year and particulars of important events affecting the Group that have occurred since the end of the financial year 2021 as well as a discussion on the Group’s future business development are provided in the Statement from the Chairman, the Statement from the Group Managing Director and the Management’s Discussion and Analysis on page 4, pages 5 to 9 and pages 57 to 68 respectively. The above discussions form part of this report.

Description of the principal risks and uncertainties facing the Group can be found in the paragraphs below.

Principal Risks and Uncertainties

The Trustee-Manager Board and the Company Board (collectively the “Boards”) have overall accountability for ensuring that risks are effectively managed across the Group, and on their behalf, the Audit Committees coordinate and review the effectiveness of the Group’s adopted risk management framework and processes. Group Risk Management and Compliance is responsible for managing the Group business risk portfolio while working with the Audit Committees to ensure the business risk registers are kept current, factual and consistent across all Group operating units. Both the Boards and the Audit Committees remain satisfied that the internal risk control framework implemented by the Group continues to provide the necessary elements of enabling business flexibility without compromising the integrity of risk management and internal control systems. The ability of the Group to manage risks, including the emerging aspect of Environmental, Social and Governance (“ESG”) related risks as per the latest requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), has been continuously evolving through focusing on risk management capabilities, ensuring that they remain robust where risks are timely identified, assessed and mitigated effectively.

The key risks and uncertainties the Group encounters are set out below. They may adversely and/or materially affect the overall business performance, financial conditions, operations and growth prospects of the Group if they are not managed properly. These key risks are by no means exhaustive or comprehensive, and there may be other risks, in addition to those shown below, which are not known to the Group or may not be material at this juncture, but could turn out to become material in the future. Due to the pace and nature at which risks are evolving, the Group remains vigilant in addressing areas of concern while developing appropriate control measures.

BUSINESS REVIEW (CONTINUED)

Principal Risks and Uncertainties (continued)

Key risks related to the Group's businesses and to the industries in which the Group operates along with corresponding mitigation strategies:

| Risk | Description | Impact | Key Mitigation Strategies |
|---|---|--|--|
| Technology Risk <i>Cybersecurity Threat</i> | <p>The Group relies on a sound IT infrastructure and operating environment in supporting all aspects of its business, including handling of customer data, personal information and other sensitive commercial data which are susceptible to cyber threats.</p> | <p>Any significant system failure or outage, caused by external factors, computer viruses/malwares or human negligence could result in a prolonged service interruption, data security breaches and potential financial and/or reputational losses.</p> | <p>Group Information and Cybersecurity Council ("GICSC") is set up to keep abreast of any emerging cybersecurity threats by identifying and implementing security measures intended to reduce the occurrence likelihood and/or the consequences of such risks being realized. A series of controls are implemented such as enhancing the cybersecurity procedures and guidelines and standardizing of hybrid cloud implementation approach, covering on-premise solutions and other vendor service providers such as Amazon Web Services ("AWS") and Google Cloud Platform ("GCP"). A holistic approach to data governance such as implementing data management platform on Google Cloud Platform ("GCP"), enhancing Data Leakage Prevention ("DLP") capability as well as reinforcing appropriate staff training and awareness in relation to data protection and security.</p> |
| <i>Technology Trend/ Aging Infrastructure</i> | <p>Rapid speed of disruptive innovations enabled by new and emerging technologies and other market forces may outpace the ability of the Group to compete and manage risks appropriately.</p> | <p>The Group cannot be certain that technologies will be developed in time to meet changing market conditions, that they will perform according to expectations or that the technologies it adopts will achieve commercial acceptance. Additionally, any sustained failure of the Group's network, its servers or any link in the delivery chain, whether from operational disruption, natural disaster, or otherwise, could have an effect on the Group's businesses, financial conditions and results of operations.</p> | <p>The Group is continuously searching for ways in which technologies can provide opportunities to grow and develop its market segment while staying vigilant on identifying potential vulnerabilities, and exercising effective governance and oversight in risk management, as well as any mitigation required during innovation.</p> |

BUSINESS REVIEW (CONTINUED)

Principal Risks and Uncertainties (continued)

| Risk | Description | Impact | Key Mitigation Strategies |
|---|--|---|--|
| Regulatory and Legal Risk | | | |
| <i>Non-compliance with Laws and Regulations</i> | The Group operates in markets and industries requiring compliance with many regulations such as telecommunications, broadcasting, use of personal data, financial related services, etc. | Ineffective management of compliance with applicable laws and regulations may adversely affect the reputation, goodwill and franchise value of the Group and its performance if significant financial penalties are levied or criminal action is brought against the Group or any of its directors. | The Group has appropriate practices in place to help monitoring changes in applicable laws and regulations and strive to ensure compliance. |
| Project Risk | | | |
| <i>Project Management</i> | To attain the sustainable growth of the Group, there are different scale business projects initiated. The operating units must manage the projects effectively to ensure timeliness and quality of deliverables. | Incapability in identifying, analyzing and responding to the risks that arise over the life cycle of projects by the project teams can have adverse impact on the project schedules and deliverables. | To further mitigate risks and to promote risk awareness on project management, new policy and guidelines on New Product Approval will be published in tackling the issue. |
| People Risk | | | |
| <i>Retention and Motivation of Employees</i> | As a prominent multi-service and technologies provider, retaining and motivating the best people with the right skills and attitudes across all levels of the organization is key to the long-term success of the Group. | The loss of key personnel or the inability to find additional qualified personnel could materially and adversely affect the prospects and results of the Group. | The Group has established training, performance management and reward programs to retain, develop and motivate staff members. Furthermore, the Group has launched a new human resources (“HR”) system to connect all employees and continued to develop succession planning to avoid any major disruption resulting from the loss of a key employee. This ensures a continuity of business strategy and fosters a culture of strength. |

BUSINESS REVIEW (CONTINUED)

Principal Risks and Uncertainties (continued)

| Risk | Description | Impact | Key Mitigation Strategies |
|------------------------------|---|--|--|
| Operational Risk | | | |
| <i>Business Interruption</i> | Business interruption due to external factors beyond control. | The risk of business interruption remains highly probable due to unexpected events such as the new COVID-19 virus deviant, i.e. Omicron, cybersecurity threats and the climate change impact around the world. | The Group has adopted a Business Continuity Management Policy and Corporate Incident Response Plan to ensure any such incidents reported/escalated are handled promptly with care and in a cautious manner to protect our staff and business operations. |
| <i>Third-Party Vendor</i> | Business interruption due to third-party service failure. | This adverse consequence could be a result of insufficient training on vendor management and limited oversight and understanding of the Group's purchasing policies by the businesses. | Ongoing supplier/vendor risk management, diversification of supply chain and technologies deployment through sourcing and working with multiple vendors operating in different jurisdictions mitigate risk exposure. |
| Market Risk | | | |
| <i>Market Competition</i> | The Group operates in markets and industries where the regulatory environment promotes competition and consumer protection. In 2021, market competition has further intensified due to the new COVID-19 virus deviant outbreak and technological innovation emerged in the marketplace. | The growing trend of consumers using online platforms to make subscriptions or purchases has led to more intense competition, pricing pressure, higher promotional marketing efforts and customer acquisition expenditures, as well as aggressive pricing from competitors, could also drive revenue and profit margins lower. | The Group has operated in this competitive landscape for over twenty years and continues to strive to compete primarily based on attributes such as functionality, coverage, time to market, ease of integration, pricing, and quality of products and services, as well as longstanding market experience, goodwill and reputation. Furthermore, we have leveraged the networking of the Group's affiliates to enable more cross-selling (i.e. financial and mobile products and services promotion by ViuTV artistes), as well as customer feedback management, digitalization of customized value-added services and product differentiation by performing data analytics. |

BUSINESS REVIEW (CONTINUED)

Principal Risks and Uncertainties (continued)

| Risk | Description | Impact | Key Mitigation Strategies |
|----------------------------|--|---|--|
| Strategic Risk | | | |
| <i>Political Landscape</i> | The multinational footprint of the Group spans several jurisdictions. Changes in the macroeconomy due to geopolitical uncertainty and policy driven currency and interest rate fluctuations may expose the Group to potential financial and strategic risks. | Change in the political landscape may lead to a shift in supply chains and service/product offerings to our consumers which may result in further challenges on the Group's strategic developments. | By constantly monitoring of the development of political landscape and reviewing of revenue trends through diversification of businesses into other industry segments such as FinTech and HealthTech, the Group is able to explore more strategic business opportunities on different platforms and locations. |
| <i>Failure of Strategy</i> | The current business model envisages growth, whether by way of organic growth or through new business amalgamation or strategic investments, in telecommunications and/or technology sectors. | <p>Failure to identify suitable targets, or failure to successfully integrate them, would adversely impact corporate growth plans. Due to changes in market conditions, insufficient cash flow from operations and other reasons, the Group may decide to delay, change, modify or relinquish certain aspects of its business progression strategies.</p> <p>In addition, the Group continues to expand its operations in overseas markets. This increases its exposure to multiple and occasionally conflicting regulatory regimes, including an increasing number of which that include extra-territorial provisions. The lack of familiarity with such overseas markets, in particular the lack of clarity in the interpretation of constantly changing laws and regulations, increases the operational risk of the Group in achieving further success in those markets.</p> | The Group's considerable internal knowledge and subject matter expertise, together with external advisors where appropriate, are able to provide any necessary information and guidance on relevant matters and pending changes that may have adverse impact on the franchise value of the Group. |

BUSINESS REVIEW (CONTINUED)

In addition, discussions on the Group's environmental policies and performance, relationships with its key stakeholders and compliance with relevant laws and regulations which would have a significant impact on the Group are provided in the paragraphs below.

Environmental Policies and Performance

As a responsible corporate citizen, HKT recognizes the importance of good environmental stewardship. In this connection, HKT has in place a Corporate Social Responsibility ("CSR") Policy and other related policies and procedures. A CSR Committee sets forth and promulgates the Company's environmental strategy and other CSR initiatives. An Environmental Advisory Group comprising group unit heads provide suggestions on our sustainability agenda.

The Company actively participates in various external environmental working groups. HKT's parent company, PCCW, is a council member of Business Environment Council and a corporate member of Food Grace. HKT is a corporate member of Green Council and The Green Earth.

To minimize light nuisance, HKT has been supporting the WWF's annual Earth Hour campaign for a number of years. HKT is a signatory to the Charter on External Lighting scheme as well as the Energy Saving Charter of the Environment Bureau, and has pledged to adopt energy-saving practices in our exchange buildings and the shops of csl, 1010 and HKT.

The Group incorporates environmentally friendly considerations into its sustainable business operations. Electric vehicle charging solutions are provided through an equal joint venture, Smart Charge (HK) Limited, with CLP Holdings Limited, to encourage electric mobility for a cleaner environment. The Group has been investing in modernizing air-conditioning systems and equipment at its exchange buildings to achieve better energy efficiency and reduce energy consumption. We have also participated in the electricity companies' Renewable Energy Feed-in Tariff ("FIT") Scheme to help promote renewable energy use. Solar power panels have been installed on the rooftops of two of our exchange buildings and more will be installed in the coming months.

We have well-established practices for recycling scrap metals, including copper, iron and steel as well as scrap materials. In accordance with the Producer Responsibility Scheme on waste electrical and electronic equipment ("WPRS"), removal services for waste electrical and electronic equipment ("WEEE") are provided to our customers.

The Group has adopted paperless systems and practices in its daily operations such as HR and procurement as appropriate, as well as in retail shops and for customer services. E-billing is also offered to customers in a bid to reduce paper consumption. We utilize Programme for the Endorsement of Forest Certification ("PEFC") certified paper made with forest materials from a sustainable source for photocopying and bill printing.

Our internal newsletter publishes a regular Green Matters column, which provides information on environmental issues and the Group's green initiatives. Our staff canteens will no longer provide disposable plastic straws and cutlery from February 2022.

Since 2020, HKT has raised about US\$1 billion in sustainability-linked loan facilities with reputable financial institutions. The interest margin of the loans is linked to designated sustainability performance targets.

In recognition of our undertaking to promote sustainability, HKT Trust and HKT Limited received an overall rating of AA in the MSCI ESG rating update in 2021, ranking in the top 29% of its global telecommunication services peers.

Last year, HKT was presented with the Silver Award (Media and Communication Sector) under the Hong Kong Awards for Environmental Excellence, led by the Environmental Campaign Committee alongside the Environmental Protection Department and in conjunction with nine organizations.

We were also recognized as Friends of EcoPark 2021 by the Environmental Protection Department for our contributions to waste recycling and recovery.

HKT has established a set of environmental reduction targets, covering electricity consumption, greenhouse gas emissions, general waste and water consumption, for publication in the HKT Environmental, Social and Governance Report 2021 (the "ESG Report"). The ESG Report has also included environment-related key performance indicators.

BUSINESS REVIEW (CONTINUED)

Environmental Policies and Performance (continued)

In 2021, HKT also continued to voluntarily disclose its carbon emissions data to the Environmental Protection Department's Carbon Footprint Repository for Listed Companies in Hong Kong.

Relationships with Stakeholders

HKT is committed to operating in a sustainable manner while balancing the interests of our various stakeholders including our employees, customers, suppliers, business partners and the community.

We promote work-life balance and take steps to maintain the health and well-being of our employees. We strive to provide a fair, inclusive and high performing work culture for our employees globally. We believe that human capital is a core organization capability that powers our long-term success. Our comprehensive employment policies protect employees' rights and benefits while offering competitive pay and career progression opportunities.

HKT is a signatory to the Joyful@Healthy Workplace Charter launched by the Department of Health and the Occupational Safety and Health Council to promote staff well-being. We provide healthcare benefits and services to safeguard our staff's health. Last year, we continued to organize talks and workshops on healthy eating as well as physical and mental well-being.

Endeavoring to be the Employer of Choice, we have devised talent strategies geared towards enabling the best employee experience and sustaining a diverse and vibrant team. Our workforce comprises employees of close to 50 nationalities with a diverse range of expertise and background. We are a signatory to the Racial Diversity and Inclusion Charter for Employers under the Equal Opportunities Commission.

We have in place a fair and effective performance appraisal system and incentive bonus schemes designed to cultivate a performance-driven culture.

HKT believes direct and effective communication is essential to building up a strong partnership between management and employees. We have established channels for employees to share feedback and suggestions with senior management and to understand company and business development. These include face-to-face meetings and forums, Let's Chat sessions and town hall style gatherings.

We have established robust succession and strong talent pipelines, comprehensive training and leadership programs to nurture the talent we need to fuel business growth. We offer opportunities for employees to participate in projects which equip them with knowledge of state-of-the-art technology. In addition, we embark on continual development initiatives to ensure our staff's knowledge and skills remain current with advances in technology and business acumen. We are committed to nurturing young talent to drive our business forward. The Company offers fresh graduates opportunities to build a career in the fast-paced technology sector through a well-structured Graduate Trainee Program.

To further enhance the capabilities of our staff and facilitate developmental discussion between employees and managers, we have revamped our HR system and learning platform. In 2021, we launched Connect, a new HR information system, as a single source on key HR data and processes. The system allows our employees to access HR information more readily and our managers to manage their teams more effectively.

An online workplace transformation tool has been launched last year across the Group to enhance employee collaboration and engagement.

Employees' health and safety is always our top priority. To maintain high occupational health and safety standards across the Group, safety training is provided regularly to new and existing staff. We implemented work from home and flexible work-hour arrangements as well as other precautionary measures for our staff during the COVID-19 outbreak. In order to encourage our employees to receive the COVID-19 vaccination, we offer two days of paid leave for each dose received.

The Group is Hong Kong's premier telecommunications service provider with large customer bases across various services. Customer related key performance indicators are set out in the Management's Discussion and Analysis of this annual report.

BUSINESS REVIEW *(CONTINUED)*

Relationships with Stakeholders *(continued)*

As a customer-focused service provider, we consider customers as one of our most important stakeholders. With a commitment to transforming customers' lifestyle through continuous innovation, HKT has extended service offerings beyond connectivity into a wide range of digital services such as FinTech and HealthTech.

The Group has in place a customer loyalty and rewards program, The Club, offering a wide variety of privileges to customers. It helps retain customers and provides us with insights to personalize offerings to its members.

To ensure a high level of customer satisfaction, our customer service representatives can be reached via service hotlines, live webchat, online enquiry in My HKT portal, or at retail shops and customer service centers. We also conduct Customer Satisfaction Survey, Customer Transaction Survey, Net Promoter Score Survey and mystery shopper programs to evaluate our service quality and gain customer feedback.

In recognition of its outstanding customer service, the Group won more than 150 awards throughout 2021 in different categories from the Hong Kong Customer Contact Association, Hong Kong Management Association, Hong Kong Retail Management Association, and Mystery Shopper Service Association, among others. HKT received over 48,000 customer compliments in 2021.

With the increased public awareness of the need to protect personal data, we have strengthened our internal policies, procedures and compliance guidelines that govern how we collect, use and manage customer information. A Group Information and Cybersecurity Council ("GICSC") is in place to oversee all cybersecurity-related initiatives, investments and ongoing maintenance pertaining to the protection of the Group's core network, servers and endpoints. Dedicated teams under Group Risk Management and Compliance oversee technology risk management and data privacy compliance across the Group. During the year, the Group set up a Data Breach Response Plan to enhance the escalation of data breach handling while enabling prompt notification to stakeholders.

Certain applicable business units or functions have attained ISO 27001 accreditation for their information security management system, enabling us to align our data security practices in accordance with international standards.

HKT is committed to upholding the highest ethical and professional standards when dealing with suppliers and contractors. The Group maintains relationship with over 4,150 suppliers globally. To meet the growing expectations on our stakeholders, HKT is increasingly making responsible sourcing an integral part of its procurement and supply chain management processes to understand and manage these risks.

To integrate CSR principles throughout our supply chain, the Company has in place the Group Purchasing Policy and Principles, and a Supplier Code of Conduct to facilitate a common means whereby we can better communicate with our business partners regarding their compliance with local regulations governing labor, health and safety, and the environment. In order to closely and better monitor of supplier performance, our buying units conduct performance reviews and supplier visits throughout the year, targeting our major suppliers and contractors, and communicate with any suppliers with unsatisfactory ratings on rectification or improvements.

Since 2018, we have attained the ISO 9001:2015 quality management system certification which enables us to continuously improve our procurement process and achieve the highest standard of business practices and service offering. HKT is one of the founding members of the Sustainable Procurement Charter launched by the Green Council.

Together with PCCW, HKT supports the Hong Kong community through a diverse range of initiatives serving the elderly, students and youth, jobless, homeless people, as well as with disabilities and other groups. We have made various in-kind and monetary donations and organized various community programs and volunteering activities for the community.

We also sought to address the community's needs with longer-term and innovative programs. For example, Club Hope is our long-term online CSR platform aiming to increase public awareness of communities in need and raise funds for charitable organizations.

BUSINESS REVIEW (CONTINUED)

Relationships with Stakeholders (continued)

Being the premier telecommunications service provider in Hong Kong, the Group provides hardware and communications services for charities and various community groups in need. We also strive to connect elderly people with technologies that promote active and smart aging. Our one-stop HKT Elderly Hotline offers timely technical support to the senior citizens aged 65 or above, helps with contracts and bills, as well as service relocation. Special concessions for home phone, broadband and mobile services are available for eligible applicants from low-income families. We have partnered with a non-governmental organization to provide the elderly with smartphones and mobile plan sponsorships for two years.

We also help the community to face the challenges brought by COVID-19 via various initiatives, including offering free mobile data and value-added services for people under compulsory quarantine. We launched a one-stop shop service to help the elderly use the LeaveHomeSafe mobile app, including smartphone workshops, a 24-hour service hotline, and affordable smartphones and mobile service plans. In 2021, HKT provided a one-year broadband service to 800 low-income families to help address the difficulties faced by students living in subdivided flats in online learning.

The Group's corporate volunteer team, comprising employees, their family members and company retirees, have been working together to build a better community for the past 26 years. HKT was awarded the Social Capital Builder logo from the Labour and Welfare Bureau's Community Investment and Inclusion Fund. In appreciation of the commitment of our staff volunteers, HKT operates a Volunteer Appreciation Scheme whereby employees participating in community services may be entitled to volunteer leave days.

HKT was awarded the Caring Company Logo under the Hong Kong Council of Social Service's Caring Company Scheme for the eighth consecutive year. Now TV took the Bronze Award for Sparks Awards 2021 – Best Corporate Social Responsibility Media from Marketing Interactive.

Compliance with the Applicable Laws and Regulations which have a Significant Impact on the Group

The Group and its activities are subject to requirements under various laws and regulations. These include, among others, the Telecommunications Ordinance (Cap. 106), the Broadcasting Ordinance (Cap. 562), the Trade Descriptions Ordinance (Cap. 362), the Competition Ordinance (Cap. 619), the Personal Data (Privacy) Ordinance (Cap. 486), the Payment Systems and Stored Value Facilities Ordinance (Cap. 584), the Employment Ordinance (Cap. 57), and the applicable regulations, guidelines, policies and licence terms issued or promulgated under or in connection with these statutes. In addition, the Listing Rules apply to the HKT Trust, HKT and the Trustee-Manager. The Company seeks to ensure compliance with these requirements through various measures such as internal controls and approval procedures, trainings and oversight of various business units with the designated resources at different levels of the Group. While these measures require considerable internal resources and result in additional operational cost, the Group highly values the importance of ensuring compliance with applicable legal and regulatory requirements.

Telecommunications Ordinance ("TO")

The Hong Kong Government's policies relating to liberalization of the telecommunications industry have led to increased competition for the Group. Under the TO, and the licences it holds under the TO, the Group has certain obligations and the Communications Authority ("CA") has certain powers to direct the Group to take specified actions (for example, to undertake and provide certain interconnection services and facilities) and to impose the terms and conditions of interconnection. It may also direct its licensees to co-operate and share any facilities owned by them in the public interest. Under the TO, licensees may be fined up to HK\$1 million for repeated breaches of the TO or any licence condition, regulation or direction issued under the TO, or a higher amount if allowed by the court. In extreme cases, the Government or the CA may cancel, withdraw or suspend licences.

Broadcasting Ordinance ("BO")

The Company, through its indirect subsidiary, PCCW Media Limited, holds a domestic pay television programme services licence. The pay television market in Hong Kong is highly competitive. Under the BO and the licences granted under the BO, licensees have various content and compliance obligations. Breaches of the BO, licence conditions, relevant directions, orders, determinations, regulations and/or codes issued by the CA may lead to fines (up to HK\$1 million for repeated breaches) or licence suspension or revocation in extreme cases.

BUSINESS REVIEW (CONTINUED)

Compliance with the Applicable Laws and Regulations which have a Significant Impact on the Group (continued)

Trade Descriptions Ordinance (“TDO”)

The enforcement of the TDO is generally undertaken by the Customs and Excise Department, although the CA has concurrent jurisdiction as to telecommunications and broadcasting licensees. To ensure compliance with the TDO, the Group conducts training sessions for all new employees involved in sales and marketing as well as annual refresher training. In addition, all sales and marketing materials are reviewed to ensure compliance with the TDO. Under the TDO, misrepresentations as to the sale of goods or services, inappropriate sales practices and the omission of relevant information may be a criminal offence, with a fine of up to HK\$500,000 and imprisonment for 5 years. Liability may extend to the Group as well as relevant employees.

Competition Ordinance (“CO”)

The CO came into effect in December 2015 and is generally consistent with other competition laws. The enforcement of the CO is generally undertaken by the Competition Commission (“CC”), although the CA has concurrent jurisdiction with the CC as to undertakings operating in the telecommunications and broadcasting sectors. To ensure compliance with the CO and various guidelines issued under the CO, the Group conducts training sessions for all staff involved in sales, marketing, bids, pricing, contracts, strategy formation, management etc. and reviews and monitors business practices continuously. Under the CO, serious anti-competitive conduct carries a maximum penalty of 10% of annual turnover obtained in Hong Kong (up to 3 years). Individuals may also be subject to pecuniary penalties and may be disqualified from being a director of a company.

Personal Data (Privacy) Ordinance (“PDPO”)

The PDPO aims to protect data privacy rights by regulating the collection, retention and handling of personal data. Non-compliance with the data protection principles or any specific provisions in PDPO could lead to issuance of enforcement notice by the Privacy Commissioner or even constitute an offence punishable by fine and imprisonment. The Group maintains various internal policies and procedures as well as regular reviews, training and audits to ensure that personal data is properly handled and managed with due care and in accordance with the legal requirements. For effective communications with the regulator and also for complying with the requirement in General Data Protection Regulation, a Group Privacy Compliance Officer has been appointed to monitor all works in relation to data privacy compliance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A separate ESG report for 2021 will be published on the websites of the Company and Hong Kong Exchanges and Clearing Limited in due course in compliance with the ESG Reporting Guide as set out in Appendix 27 to the Listing Rules.

RESULTS, APPROPRIATIONS AND DISTRIBUTIONS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated income statement of HKT Trust and of HKT Limited on page 106.

The results of the Trustee-Manager for the year ended December 31, 2021 are also set out in the income statement of HKT Management Limited on page 209.

An interim distribution/dividend of 30.70 HK cents per share stapled unit of HKT Trust and the Company (the “Share Stapled Unit”)/ordinary share of the Company for the six months ended June 30, 2021 was paid to holders of Share Stapled Units/shareholder of the Company in September 2021.

RESULTS, APPROPRIATIONS AND DISTRIBUTIONS (CONTINUED)

The Trustee-Manager Board has recommended the payment of a final distribution by the HKT Trust in respect of the Share Stapled Units, of 42.07 HK cents per Share Stapled Unit (after deduction of any operating expenses permissible under the Trust Deed (as defined below)), in respect of the year ended December 31, 2021 (and in order to enable the HKT Trust to pay that distribution, the Company Board has recommended the payment of a final dividend in respect of the ordinary shares in the Company held by the Trustee-Manager, of 42.07 HK cents per ordinary share, in respect of the same period), subject to the approval of unitholders of the HKT Trust and of shareholders of the Company at the forthcoming annual general meeting of unitholders of the HKT Trust and of shareholders of the Company to be held on a combined basis as a single meeting characterized as an annual general meeting of registered holders of Share Stapled Units (“AGM”).

The Trustee-Manager Board does not recommend the payment of a final dividend for the year ended December 31, 2021 to CAS Holding No. 1 Limited, the sole member of the Trustee-Manager.

FINANCIAL SUMMARY

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on page 206.

FIXED ASSETS

Details of movements in the Group’s property, plant and equipment, and interests in leasehold land during the year are set out in notes 16 and 18 respectively to the HKT Trust and HKT Limited consolidated financial statements.

BORROWINGS

Particulars of the Group’s borrowings are set out in note 28 to the HKT Trust and HKT Limited consolidated financial statements.

SHARE STAPLED UNITS/SHARES ISSUED

There were no new Share Stapled Units/shares of the Company issued during the year ended December 31, 2021. Details of the share capital of the Company for the year ended December 31, 2021 are set out in note 31 to the HKT Trust and HKT Limited consolidated financial statements.

There were no new shares of the Trustee-Manager issued during the year ended December 31, 2021. Details of the share capital of the Trustee-Manager for the year ended December 31, 2021 are set out in note 7 to the financial statements of HKT Management Limited.

RESERVES

Details of movements in reserves of the Company and the Group during the year are set out in notes 31 and 32 respectively to the HKT Trust and HKT Limited consolidated financial statements.

The statement of changes in equity of HKT Management Limited during the year is set out on page 212.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2021, less than 30% of the Group’s revenue from sales of goods or rendering of services was attributable to the Group’s five largest customers, and less than 30% of the Group’s purchases were attributable to the Group’s five largest suppliers.

DIRECTORS

The directors of the Company (the “Company Directors”) and the directors of the Trustee-Manager (the “Trustee-Manager Directors”) (the Company Directors and the Trustee-Manager Directors collectively referred to as the “Directors”) who held office during the year and up to the date of this report are:

Executive Directors

Li Tzar Kai, Richard (*Executive Chairman*)
Hui Hon Hing, Susanna (*Group Managing Director*)

Non-Executive Directors

Peter Anthony Allen
Chung Cho Yee, Mico
Mai Yanzhou (appointed with effect from December 29, 2021)
Wang Fang (appointed with effect from December 29, 2021)
Srinivas Bangalore Gangaiah (aka BG Srinivas)
Li Fushen (resigned with effect from December 17, 2021)
Zhu Kebin (resigned with effect from December 17, 2021)

Independent Non-Executive Directors

Professor Chang Hsin Kang, FREng, GBS, JP
Sunil Varma
Aman Mehta
Frances Waikwun Wong

Under the trust deed dated November 7, 2011 constituting the HKT Trust entered into between the Trustee-Manager and the Company as supplemented, amended or substituted from time to time (the “Trust Deed”), the Trustee-Manager Directors must be the same individuals who serve as the Company Directors. Accordingly, the retirement by rotation provisions are also applicable, indirectly, in relation to the Trustee-Manager Directors.

In accordance with the Company’s amended and restated articles of association and the Trust Deed, Li Tzar Kai, Richard, Peter Anthony Allen, Mai Yanzhou and Wang Fang shall retire from office of both the Company and the Trustee-Manager at the forthcoming AGM and, being eligible, offer themselves for re-election.

Subsequent to the date of this report, Srinivas Bangalore Gangaiah retired as Non-Executive Director of the Company and the Trustee-Manager with effect from February 28, 2022.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Trustee-Manager and the Company together have received from each of their independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and consider that all four independent non-executive Directors as at the date of this report, namely, Professor Chang Hsin Kang, Sunil Varma, Aman Mehta and Frances Waikwun Wong remain independent having regard to the independence guidelines set out in Rule 3.13 of the Listing Rules.

With respect to Aman Mehta, on February 15, 2013, Pacific Century Regional Developments Limited (“PCRD”, a substantial shareholder of PCCW) announced the execution of a term sheet between PCRD Services Pte Ltd (“PCRD Services”, a wholly-owned subsidiary of PCRD) and, amongst the others, KSH Distriparks Private Limited (“KSH Distriparks”), Pasha Ventures Private Limited (“Pasha Ventures”), Aman Mehta (an independent non-executive Director) and Akash Mehta (the adult son of Aman Mehta) (together, the “Mehta Family”) and Sky Advance Associates Limited (“Sky Advance”, a company controlled by Akash Mehta) in relation to a proposed restructuring (the “Restructuring”) of their respective interests in Pasha Ventures and KSH Distriparks by way of a scheme of amalgamation. As of March 11, 2012, PCRD Services, Aman Mehta and Akash Mehta held 74%, 21% and 5% of the paid up issued equity capital of Pasha Ventures respectively. KSH Distriparks is an Indian private limited logistics company with an inland container depot located in Pune, India and owned at that time as to 25.94% and 5.19% respectively by PCRD Services and Sky Advance. As a result of the Restructuring, Pasha Ventures was amalgamated with KSH Distriparks and Pasha Ventures ceased to be a subsidiary of PCRD and was dissolved in June 2013. Accordingly, the shareholdings of PCRD Services, Sky Advance and the Mehta Family in KSH Distriparks were approximately 49.87%, 2.61% and 12.94% respectively. Pursuant to a scheme of demerger filed with, and sanctioned by, the High Court at Bombay, KSH Infra Private Limited (“KSH Infra”), a wholly-owned subsidiary of KSH Distriparks was demerged from KSH Distriparks with effect from January 31, 2016 (the “Demerger”) with KSH Infra shareholders holding the same percentage shareholdings in the share capital of KSH Infra as those percentage shareholdings in KSH Distriparks at the time of the Demerger. Interests held by PCRD Services, Sky Advance and the Mehta Family in KSH Infra were disposed of in January 2019. In 2020, Sky Advance disposed of its 2.61% stake in KSH Distriparks. As at December 31, 2021, PCRD Services and the Mehta Family’s shareholdings in KSH Distriparks were approximately 49.87% and 8.23% respectively. Aman Mehta is a passive investor in KSH Distriparks and does not hold any directorship in KSH Distriparks. Save as disclosed above, Aman Mehta is not in any way connected to PCRD, PCRD Services, PCCW, the Company or the Trustee-Manager.

Notwithstanding Aman Mehta’s investment in KSH Distriparks, the Company and the Trustee-Manager are of the view that Aman Mehta’s continued independence in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Listing Rules is not affected by this investment for the following reasons: (i) Aman Mehta’s investment in KSH Distriparks is a purely passive personal investment; he does not hold any directorship in KSH Distriparks nor has he any involvement or participation in the daily operations and management of KSH Distriparks; (ii) the businesses of KSH Distriparks do not overlap or conflict with the businesses of the Company; and (iii) save as disclosed above, neither Aman Mehta nor Akash Mehta hold any interest, direct or indirect in PCRD and/or its subsidiaries.

DIRECTORS’ SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract with the HKT Limited Group which is not determinable by the HKT Limited Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARE STAPLED UNITS AND UNDERLYING SHARE STAPLED UNITS, AND THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at December 31, 2021, the Directors, the chief executives of the Company and the Trustee-Manager (collectively referred to as the "Chief Executives") and their respective close associates had the following interests or short positions in the Share Stapled Units and underlying Share Stapled Units, and the shares, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register(s) required to be kept under Section 352 of the SFO or as otherwise notified to the Company, the Trustee-Manager and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules:

1. Interests in HKT Trust and HKT Limited

The table below sets out the aggregate long positions in the Share Stapled Units held by the Directors and the Chief Executives:

| Name of Director/Chief Executive | Personal interests | Number of Share Stapled Units held | | | Total | Approximate percentage of the total number of Share Stapled Units in issue |
|----------------------------------|--------------------|------------------------------------|----------------------------|-------------|---------|--|
| | | Corporate interests | Other interests | | | |
| Li Tzar Kai, Richard | – | 66,247,614 (Note 1(a)) | 158,764,423 (Note 1(b)) | 225,012,037 | 2.97% | |
| Hui Hon Hing, Susanna | 4,344,539 | – | 812,389 (Note 2) | 5,156,928 | 0.07% | |
| Peter Anthony Allen (Note 3) | 21,530 | – | – | 21,530 | 0.0003% | |
| Srinivas Bangalore Gangaiah | 50,000 | – | – | 50,000 | 0.0007% | |

Each Share Stapled Unit confers an interest in:

- (a) one voting ordinary share of HK\$0.0005 in the Company; and
- (b) one voting preference share of HK\$0.0005 in the Company,

for the purposes of Part XV of the SFO, in addition to an interest in one unit in the HKT Trust.

Under the Trust Deed and the Company's amended and restated articles of association, the number of ordinary shares and preference shares of the Company in issue must be the same at all times and must also, in each case, be equal to the number of units of the HKT Trust in issue; and each of them is equal to the number of Share Stapled Units in issue.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARE STAPLED UNITS AND UNDERLYING SHARE STAPLED UNITS, AND THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION (CONTINUED)

1. Interests in HKT Trust and HKT Limited (continued)

Notes:

1. (a) Of these Share Stapled Units, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), held 20,227,614 Share Stapled Units and Eisner Investments Limited ("Eisner") held 46,020,000 Share Stapled Units. Li Tzar Kai, Richard owned 100% of the issued share capital of Chiltonlink and Eisner.
- (b) These interests represented:
 - (i) a deemed interest in 13,159,619 Share Stapled Units held by Pacific Century Group Holdings Limited ("PCGH"). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 13,159,619 Share Stapled Units held by PCGH; and
 - (ii) a deemed interest in 145,604,804 Share Stapled Units held by PCRD, a company in which PCGH had, through itself and certain wholly-owned subsidiaries being Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 88.63% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 145,604,804 Share Stapled Units held by PCRD. Li Tzar Kai, Richard was also deemed to be interested in 1.06% of the issued share capital of PCRD through Hopestar Holdings Limited, a company wholly-owned by Li Tzar Kai, Richard.
2. These interests represented awards made to Hui Hon Hing, Susanna, which were subject to certain vesting conditions pursuant to the relevant award schemes of the Company and PCCW, namely the HKT Share Stapled Units Purchase Scheme and the Purchase Scheme. Details of the HKT Share Stapled Units Purchase Scheme are set out in the section below headed "Share Stapled Units Award Schemes".
3. As disclosed in the previous annual and interim reports of HKT Trust and HKT Limited, a private company owned by Li Tzar Kai, Richard has provided an interest-free loan facility not exceeding the amount of S\$25,000,000 (equivalent to approximately HK\$148,000,000*) to Peter A. Allen at his request and for personal reasons. In 2020, the parties have agreed to amend the terms of this loan facility to increase the principal amount of the loan by S\$23,000,000 (equivalent to approximately HK\$136,000,000*) to a total amount of not more than S\$48,000,000 (equivalent to approximately HK\$284,000,000*). The loan is repayable upon written request by the said private company giving six months' prior notice. As of December 31, 2021, S\$29,260,000 (equivalent to approximately HK\$168,000,000*) of the loan has been repaid by Peter A. Allen to the said private company, and only S\$18,740,000 (equivalent to approximately HK\$108,000,000*) remains outstanding. This private arrangement is not connected with and does not conflict with Peter A. Allen's duties at HKT Trust and HKT Limited.

* Hong Kong dollar figures are for reference only based on prevailing rates as of the relevant year end reporting date

2. Interests in the Associated Corporation of the Company

PCCW (the holding company of the HKT Trust and the Company)

The table below sets out the aggregate long positions in the shares of PCCW held by the Directors and the Chief Executives:

| Name of Director/Chief Executive | Personal interests | Number of ordinary shares of PCCW held | | | Total | Approximate percentage of the total number of shares of PCCW in issue |
|----------------------------------|--------------------|--|------------------------------|---------------|--------|---|
| | | Corporate interests | Other interests | | | |
| Li Tzar Kai, Richard | – | 462,287,134 (Note 1(a)) | 1,928,842,224 (Note 1(b)) | 2,391,129,358 | 30.93% | |
| Hui Hon Hing, Susanna | 8,495,690 | – | 2,054,006 (Note 2) | 10,549,696 | 0.14% | |
| Peter Anthony Allen | 246,596 | – | – | 246,596 | 0.003% | |
| Srinivas Bangalore Gangaiah | 3,614,861 | – | 701,124 (Note 2) | 4,315,985 | 0.06% | |

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARE STAPLED UNITS AND UNDERLYING SHARE STAPLED UNITS, AND THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION (CONTINUED)

2. Interests in the Associated Corporation of the Company (continued)

PCCW (the holding company of the HKT Trust and the Company) (continued)

Notes:

1. (a) Of these shares of PCCW, PCD held 269,471,956 shares, Eisner held 38,222,413 shares, and Trade Champion Limited, a wholly-owned subsidiary of Excel Global Holdings Limited ("Excel Global"), held 154,592,765 shares. Li Tzar Kai, Richard owned 100% of the issued share capital of Excel Global.

(b) These interests represented:
 - (i) a deemed interest in 175,312,270 shares of PCCW held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 175,312,270 shares of PCCW held by PCGH; and
 - (ii) a deemed interest in 1,753,529,954 shares of PCCW held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,753,529,954 shares of PCCW held by PCRD.
2. These interests represented awards made to these Directors, which were subject to certain vesting conditions pursuant to an award scheme of PCCW, namely the Purchase Scheme.

Save as disclosed in the foregoing, as at December 31, 2021, none of the Directors or the Chief Executives or their respective close associates had any interests or short positions in any Share Stapled Units or underlying Share Stapled Units, or in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register(s) required to be kept under Section 352 of the SFO or as otherwise notified to the Company, the Trustee-Manager and the Stock Exchange pursuant to the Model Code of the Listing Rules.

SHARE STAPLED UNITS OPTION SCHEMES

Pursuant to the resolutions passed by the holders of Share Stapled Units and the shareholders of PCCW at their annual general meetings held on May 7, 2021 (the "Adoption Date"), the Share Stapled Units option scheme adopted by HKT Trust and the Company on November 7, 2011 (the "2011-2021 Option Scheme") was terminated and a new Share Stapled Units option scheme (the "2021-2031 Option Scheme") was adopted. The 2021-2031 Option Scheme became valid and effective for a period of 10 years commencing from the Adoption Date. After the termination of the 2011-2021 Option Scheme, no further Share Stapled Unit options will be granted under such scheme, but in all other aspects the provisions of such scheme will remain in full force and effect. There is no material difference between the terms of the 2011-2021 Option Scheme and the 2021-2031 Option Scheme.

HKT Trust and the Company currently operate the 2021-2031 Option Scheme, under which the Trustee-Manager Board and the Company Board shall be entitled to offer to grant a Share Stapled Unit option to any eligible participant whom the Trustee-Manager Board and the Company Board may, at their absolute discretion, select. The major terms of the 2021-2031 Option Scheme are set out below:

- (1) The purpose of the 2021-2031 Option Scheme is to enable the HKT Trust and the Company, acting jointly by mutual agreement between them, to grant options to the eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants.
- (2) Eligible participants include (a) any full time or part time employee of the Company and/or any of its subsidiaries; (b) any director (including executive, non-executive or independent non-executive) of the Company and/or any of its subsidiaries; and (c) any consultant or adviser (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and/or business partner of the Company and/or any of its subsidiaries. The Trustee-Manager is not an eligible participant under the 2021-2031 Option Scheme.

SHARE STAPLED UNITS OPTION SCHEMES (CONTINUED)

- (3) (i) Notwithstanding any other provisions of the 2021-2031 Option Scheme, no options may be granted under the 2021-2031 Option Scheme if the exercise of the options may result in PCCW ceasing to hold at least 51% of the Share Stapled Units in issue (on a fully diluted basis assuming full conversion or exercise of all outstanding options and other rights of subscription, conversion and exchange for Share Stapled Units).
- (ii) In addition, as prescribed by the Listing Rules, the maximum aggregate number of Share Stapled Units which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2021-2031 Option Scheme and any other share option schemes of the HKT Trust and the Company must not exceed 30% of the issued Share Stapled Units from time to time. No options may be granted under the 2021-2031 Option Scheme if this will result in such limit being exceeded.
- (iii) Subject to the further limitation in (i) above, as required by the Listing Rules, the total number of Share Stapled Units which may be issued upon exercise of all options to be granted under the 2021-2031 Option Scheme and any other share option schemes of the HKT Trust and the Company must not, in aggregate, exceed 10% of the issued Share Stapled Units as at the Adoption Date unless the approval of holders of Share Stapled Units has been obtained.

As at the date of this annual report, the total number of Share Stapled Units available for issue in respect of which options may be granted under the 2021-2031 Option Scheme is 757,574,233, representing approximately 10% of the Share Stapled Units in issue as at that date.

- (4) The total number of Share Stapled Units issued and to be issued upon exercise of options granted and to be granted to each eligible participant (other than a substantial holder of Share Stapled Units or an independent non-executive director of the Trustee-Manager and the Company, or any of their respective associates) under the 2021-2031 Option Scheme (including exercised, cancelled and outstanding options under the 2021-2031 Option Scheme) in any 12-month period shall not exceed 1% of the Share Stapled Units in issue at the relevant time. For options granted or to be granted to a substantial holder of Share Stapled Units or an independent non-executive director of the Trustee-Manager and the Company, or any of their respective associates, the said limit is reduced to 0.1% of the Share Stapled Units in issue and HK\$5 million in aggregate value based on the closing price of the Share Stapled Units on the date of each grant. Any further grant of Share Stapled Unit options in excess of such limits is subject to the approval of registered holders of Share Stapled Units in general meeting.
- (5) The 2021-2031 Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. The terms and conditions under and the period within which an option may be exercised under the 2021-2031 Option Scheme shall be determined by the Trustee-Manager Board and the Company Board, provided that such terms and conditions shall not be inconsistent with the 2021-2031 Option Scheme and no option may be exercised 10 years after the date of grant.
- (6) The 2021-2031 Option Scheme does not specify any consideration which is payable on acceptance of an option. Upon acceptance of the offer, the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price for grants requiring approval of holders of Share Stapled Units in accordance with the provisions of the 2021-2031 Option Scheme.
- (7) The subscription price for Share Stapled Units in respect of any particular option shall not be less than the highest of (i) the closing price per Share Stapled Unit on the main board as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price per Share Stapled Unit on the main board as stated in the Stock Exchange's daily quotation sheet for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a Share Stapled Unit.
- (8) Subject to the early termination by an ordinary resolution in general meeting of registered holders of Share Stapled Units or resolutions of the Trustee-Manager Board and the Company Board, the 2021-2031 Option Scheme shall be valid and effective for a period of 10 years commencing from the Adoption Date and expiring on the tenth anniversary thereof, after which period no further options shall be granted but the provisions of the 2021-2031 Option Scheme shall remain in full force and effect in all other respects.

No Share Stapled Unit options have been granted under the 2011-2021 Option Scheme and the 2021-2031 Option Scheme since their adoption and up to and including its date of termination (in respect of the 2011-2021 Option Scheme) and December 31, 2021 (in respect of the 2021-2031 Option Scheme).

SHARE STAPLED UNITS AWARD SCHEMES

On October 11, 2011, the Company adopted two award schemes pursuant to which awards of Share Stapled Units may be made, namely the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme (collectively the “Share Stapled Units Award Schemes”). The purposes of the Share Stapled Units Award Schemes are to incentivize and reward participants for their contribution to the growth of the HKT Limited Group and to provide the HKT Limited Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the participants.

Participants of the Share Stapled Units Award Schemes include any director or employee of the Company or any of its subsidiaries.

The Share Stapled Units Award Schemes are administered by the Company Board, any committee or sub-committee of the Company Board and/or any person delegated with the power and authority to administer all or any aspects of the respective Share Stapled Units Award Schemes (the “Approving Body”) and an independent trustee (the “Trustee”) appointed to hold the relevant Share Stapled Units until such time as the Share Stapled Units vest in the selected participants.

Pursuant to the scheme rules, no sum of money shall be set aside and no Share Stapled Units shall be purchased or subscribed (as the case may be), nor any amounts paid to the Trustee for the purpose of making such a purchase or subscription, if, as a result of such purchase or subscription, the number of Share Stapled Units administered under the respective schemes would represent in excess of 1% of the total number of Share Stapled Units in issue from time to time, excluding the Share Stapled Units which have been transferred to selected participants on vesting. In addition, under the HKT Share Stapled Units Subscription Scheme, no sum of money shall be set aside and no Share Stapled Units shall be subscribed nor any amounts paid to the Trustee for the purpose of making such a subscription if:

- (i) as a result of such subscription, PCCW’s aggregate holding of Share Stapled Units would on a fully-diluted basis (which shall take into account the relevant subscription(s) proposed to be made under the HKT Share Stapled Units Subscription Scheme, the amount of all outstanding options in respect of Share Stapled Units as granted pursuant to the Share Stapled Units option scheme(s), and all other rights or entitlements granted by the Company concerning the prospective allotment of new Share Stapled Units) represent less than 51% of the total number of Share Stapled Units as would exist were all such commitments to allot new Share Stapled Units to be duly fulfilled; or
- (ii) the Company does not have a relevant general mandate or specific mandate from holders of the Share Stapled Units necessary to effect the allotment and issue of Share Stapled Units pursuant to the scheme.

In respect of the HKT Share Stapled Units Purchase Scheme, the Approving Body shall either (i) set aside a sum of money; or (ii) determine a number of Share Stapled Units which it wishes to be the subject of a bonus award or set aside certain Share Stapled Units. Where a sum of money has been set aside (or a number of Share Stapled Units has been determined) by the Approving Body, it shall pay (or cause to be paid) that amount or an amount sufficient to purchase that number of Share Stapled Units from the HKT Limited Group’s resources, and the Trustee will then apply the same towards the purchase of the relevant Share Stapled Units on the Stock Exchange pursuant to the trust deed.

In respect of the HKT Share Stapled Units Subscription Scheme, the Approving Body shall either (i) determine a notional cash amount; or (ii) determine a number of Share Stapled Units which it wishes to be the subject of a bonus award or set aside certain Share Stapled Units. Where a notional cash amount has been determined by the Approving Body, the Approving Body shall determine the maximum number of Share Stapled Units, rounded down to the nearest whole number, which could be acquired with such notional cash amount on the Stock Exchange. The Approving Body shall pay (or cause to be paid) an amount equal to the aggregate subscription price for either (i) the maximum number of Share Stapled Units, rounded down to the nearest whole number, which could be acquired with such notional cash amount on the Stock Exchange (where the Approving Body has determined a notional cash amount); or (ii) the number of Share Stapled Units (where the Approving Body has determined such number) which amount shall be as directed by the Company but is expected only to be a nominal amount per Share Stapled Unit, or such other amount as may be required to effect the allotment pursuant to the relevant general mandate of the Company from the HKT Limited Group’s resources, and the Trustee shall then apply the same towards the subscription of Share Stapled Units, provided always that no Share Stapled Units shall be allotted in respect of such subscription unless and until the Company shall have received from the Stock Exchange a grant of the listing of, and permission to deal in, such Share Stapled Units and unless and until such allotment shall have been approved by the Approving Body and the holders of the Share Stapled Units (where required).

SHARE STAPLED UNITS AWARD SCHEMES (CONTINUED)

Subject to the relevant scheme rules, each scheme provides that prior to the vesting of the awards under the relevant scheme to selected participants, the relevant Share Stapled Units will be held in trust by the Trustee for such selected participants, and will be vested over a period of time determined by the Approving Body, provided that each selected participant shall remain at all times up to and including the relevant vesting date (or, as the case may be, each relevant vesting date) an employee or a director of the HKT Limited Group, and satisfies any other conditions specified at the time the award is made, notwithstanding that the Approving Body shall be at liberty to waive such conditions. Other than satisfying the vesting conditions, selected participants are not required to provide any consideration in order to acquire the Share Stapled Units awarded to him/her under the schemes. The Approving Body may by resolution terminate the operation of the schemes at any time subject to the terms of the schemes.

Pursuant to the relevant scheme rules, the existing term of each of the Share Stapled Units Award Schemes expired on October 10, 2021. In order to enable the Company to continue granting awards of Share Stapled Units under the Share Stapled Units Award Schemes, on August 5, 2021, the Company Board approved the extension of the duration of each of the Share Stapled Units Award Schemes for a period of 10 years from October 11, 2021. As a result of such extension, each of the Share Stapled Units Award Schemes shall be valid and effective for a further term of 10 years commencing from October 11, 2021, expiring on October 10, 2031. Save as disclosed above, all other terms and conditions of the Share Stapled Units Award Schemes will remain unchanged and shall continue in full force and effect after such extension.

In respect of the HKT Share Stapled Units Purchase Scheme, during the year ended December 31, 2021, an aggregate of 453,882 Share Stapled Units were awarded pursuant to the HKT Share Stapled Units Purchase Scheme subject to certain vesting conditions, including an award in respect of 319,795 Share Stapled Units made to Hui Hon Hing, Susanna (a director of the Company and the Trustee-Manager). Additionally, 1,945 Share Stapled Units have lapsed and/or been forfeited and 411,525 Share Stapled Units have vested during the year. As at December 31, 2021, an aggregate of 654,613 Share Stapled Units awarded pursuant to the HKT Share Stapled Units Purchase Scheme remained unvested.

In respect of the HKT Share Stapled Units Subscription Scheme, during the year ended December 31, 2021, an aggregate of 1,201,431 Share Stapled Units were awarded pursuant to the HKT Share Stapled Units Subscription Scheme subject to certain vesting conditions. Additionally, 171,854 Share Stapled Units have lapsed and/or been forfeited and 1,070,697 Share Stapled Units have vested during the year. As at December 31, 2021, an aggregate of 1,645,923 Share Stapled Units awarded pursuant to the HKT Share Stapled Units Subscription Scheme remained unvested.

As at the date of this annual report, an aggregate of 2,300,536 Share Stapled Units awarded pursuant to the Share Stapled Units Award Schemes remained unvested, which represents approximately 0.03% of the total number of Share Stapled Units in issue as at that date.

Further details of the Share Stapled Units Award Schemes, including the fair values of the Share Stapled Units on the respective dates of award, are set out in note 30(b) to the HKT Trust and HKT Limited consolidated financial statements.

Save as disclosed above, at no time during the year under review was the Trustee-Manager, the Company or any of their subsidiaries, holding companies or fellow subsidiaries a party to any arrangement that may enable the Directors to acquire benefits by means of the acquisition of Share Stapled Units in HKT Trust and the Company, or shares in, or debentures of, the Company or any other body corporate and none of the Directors or the Chief Executives or their spouses or children under 18 years of age had any right to subscribe for equity or debt securities of the HKT Trust and/or the Company or any of its associated corporations or had exercised any such right during the year under review.

EQUITY-LINKED AGREEMENTS

Details of the 2021-2031 Option Scheme adopted by the HKT Trust and the Company are set out in the section above headed “Share Stapled Units Option Scheme” and note 30(b) to the HKT Trust and HKT Limited consolidated financial statements.

Details of the Share Stapled Units Award Schemes adopted by the Company are also set out in the section above headed “Share Stapled Units Award Schemes” and note 30(b) to the HKT Trust and HKT Limited consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL HOLDERS OF SHARE STAPLED UNITS

As at December 31, 2021, the following persons (other than Directors or Chief Executives) were substantial holders of Share Stapled Units, and of ordinary shares and preference shares in the Company, and had interests or short positions in the Share Stapled Units and underlying Share Stapled Units, and in the shares and underlying shares of the Company as recorded in the register(s) required to be kept under Section 336 of the SFO:

| Name | Capacity | Number of Share Stapled Units/ underlying Share Stapled Units held in long position (L)/ short position (S)/ lending pool (P) | Approximate percentage of the total number of Share Stapled Units in issue | Note |
|------------------------------|---|---|--|------|
| PCCW | Interest in controlled corporation | (L) 3,934,967,681 | 51.94% | 1 |
| CAS Holding No. 1 Limited | Beneficial owner | (L) 3,934,967,681 | 51.94% | |
| Citigroup Inc. ("Citigroup") | Person having a security interest in shares | (L) 168,000 | 0.002% | 2 |
| | Interest in controlled corporations | (L) 4,449,799 | 0.06% | 2 |
| | | (S) 659,116 | 0.009% | 2 |
| | Approved lending agent | (L) & (P) 375,402,175 | 4.96% | 2 |

Each Share Stapled Unit confers an interest in:

- (a) one voting ordinary share of HK\$0.0005 in the Company; and
- (b) one voting preference share of HK\$0.0005 in the Company,

for the purposes of Part XV of the SFO, in addition to an interest in one unit in the HKT Trust.

Under the Trust Deed and the Company's amended and restated articles of association, the number of ordinary shares and preference shares of the Company in issue must be the same at all times and must also, in each case, be equal to the number of units of the HKT Trust in issue; and each of them is equal to the number of Share Stapled Units in issue.

Notes:

The Trustee-Manager held all of the issued ordinary shares of the Company in its capacity as trustee and manager of the HKT Trust, upon and subject to the terms and conditions of the Trust Deed.

1. PCCW indirectly held these interests through its direct wholly-owned subsidiary, CAS Holding No. 1 Limited.
2. The long position interests of Citigroup were held through its various controlled corporations, or in the capacity of a person having a security interest in shares or approved lending agent. Such long positions included derivative interests in 492,000 underlying Share Stapled Units derived from physically settled unlisted derivatives and 3,172,000 underlying Share Stapled Units derived from cash settled unlisted derivatives. The short positions of Citigroup were held through its various controlled corporations. Such short positions included derivative interests in 492,000 underlying Share Stapled Units derived from physically settled unlisted derivatives. These long position interests and short positions were disclosed based on the disclosure of interest filing made by Citigroup on October 19, 2021.

Save as disclosed above in this section, the Trustee-Manager and the Company have not been notified of any other persons (other than Directors or Chief Executives) who had an interest or a short position in the Share Stapled Units or underlying Share Stapled Units, or in the shares, underlying shares or debentures of the Company as recorded in the register(s) required to be kept under Section 336 of the SFO as at December 31, 2021.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Details of the connected transaction and continuing connected transactions; and significant related party transactions are disclosed in this report and in note 6 to the HKT Trust and HKT Limited consolidated financial statements, as well as in note 4 to the financial statements of HKT Management Limited.

Save for the above, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Trustee-Manager, the Company, or any of its subsidiaries, fellow subsidiaries or parent company was a party, and in which a Director or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

The Trustee-Manager has the necessary powers under the Trust Deed to perform its function of administering the HKT Trust.

Save for the Trust Deed, no contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of any business of the HKT Trust, the Company and the Trustee-Manager were entered into or subsisted during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2021, the interests of the Directors in competing business required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Li Tzar Kai, Richard

Li Tzar Kai, Richard has a personal interest in 75,240 shares in CK Hutchison Holdings Limited ("CK Hutchison"), and is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts ("Family Trusts"). The Family Trusts are interested in certain shares of CK Hutchison. CK Hutchison and its subsidiaries are involved in the core businesses of ports and related services, retail, infrastructure and telecommunications. Certain businesses of CK Hutchison may compete with certain aspects of the businesses of the HKT Limited Group during the year.

Li Fushen, Zhu Kebing, Mai Yanzhou and Wang Fang

Li Fushen was an executive director of China Unicom (Hong Kong) Limited ("Unicom HK") and a director of China United Network Communications Group Company Limited ("Unicom"), China United Network Communications Limited ("Unicom A-Share") and China United Network Communications Corporation Limited ("CUCL"). In June 2021, Li Fushen resigned from the above positions.

Zhu Kebing was an executive director and Chief Financial Officer of Unicom HK, the Chief Accountant of Unicom, the Chief Financial Officer and Board Secretary of Unicom A-Share, and a director and the Chief Financial Officer of CUCL. In June 2021, Zhu Kebing resigned from the above positions.

Mai Yanzhou is a Vice President of Unicom, a Senior Vice President of Unicom A-Share and Unicom HK, and a director and Senior Vice President of CUCL. He is also a non-executive director of China Communications Services Corporation Limited ("CCSCL"), a company listed on the Stock Exchange.

Wang Fang is the General Manager of the Finance Department and the General Manager of the Data Operations and Financial Shared Service Center of Unicom.

Unicom is the ultimate parent company of Unicom HK and Unicom A-Share is a shareholder of Unicom HK. CUCL is a subsidiary of Unicom HK. Unicom HK is a company listed on the Stock Exchange and Unicom A-Share is a company listed on the Shanghai Stock Exchange. Save for Li Fushen, Zhu Kebing, Mai Yanzhou and Wang Fang (where applicable), each of these companies and CCSCL has its own management team separate from the HKT Limited Group. These companies are engaged in telecommunications business and other related businesses and compete with certain aspects of the businesses of the HKT Limited Group.

Other than as disclosed above, none of the Directors is interested in any business, apart from the HKT Limited Group's businesses, which competes or is likely to compete, either directly or indirectly, with the HKT Limited Group's businesses.

PERMITTED INDEMNITY

As permitted by the Trust Deed, the Trustee-Manager and any director of the Trustee-Manager shall be indemnified out of, and shall be entitled for the purpose of indemnity to have recourse to, the Trust Property (as defined in the Trust Deed) or any part thereof against any action, costs, claims, damages, expenses, penalties or demands to which it or he/she may be put as Trustee-Manager of the HKT Trust and as director of the Trustee-Manager.

According to the Company's amended and restated articles of association, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a director of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted.

According to the articles of association of the Trustee-Manager and subject to the provisions of the Companies Ordinance (Cap. 622), every director and managing director for the time being of the Trustee-Manager shall be indemnified out of the assets of the Trustee-Manager (excluding, for the avoidance of doubt, the Trust Property) against any liability incurred by him/her in relation to the Trustee-Manager in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour or in which he/she is acquitted.

In addition, PCCW has maintained appropriate directors and officers liability insurance cover for the directors and officers of its subsidiaries (including the HKT Limited Group and the Trustee-Manager).

DONATIONS

During the year, the Group did not make any charitable and other donations (2020: approximately HK\$500,000).

SUBSEQUENT EVENT

Details of the significant subsequent event are set out in note 42 to the HKT Trust and HKT Limited consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Under the Trust Deed and for so long as the Trust Deed remains in effect, the Share Stapled Units cannot be repurchased or redeemed by the HKT Trust and the Company unless and until specific regulations which expressly permit repurchase or redemption are introduced by the Securities and Futures Commission. Therefore, the holders of Share Stapled Units have no right to request the Trustee-Manager to repurchase or redeem their Share Stapled Units, and the HKT Trust and the Company are not allowed to repurchase their own Share Stapled Units.

During the year ended December 31, 2021, none of the HKT Trust (including the Trustee-Manager), the Company or the Company's subsidiaries purchased, sold or redeemed any Share Stapled Units.

CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2021, members of the HKT Limited Group entered into continuing connected transactions (as defined in the Listing Rules) under various agreements as described below. These continuing connected transaction agreements will expire on December 31, 2022:

A. PCCW and its subsidiaries (excluding the HKT Limited Group) (collectively, the “PCCW Group”)

PCCW is the controlling holder of the Share Stapled Units in issue and therefore a connected person (as defined in the Listing Rules) of the HKT Trust and HKT. It is considered that the entering into of the continuing connected transaction agreements with the PCCW Group will enable the HKT Limited Group to meet the demand of the continuing growth and development of its businesses and operations, help to achieve business continuity and efficiency, to minimize any potential disruption to the daily operation of the HKT Limited Group, as well as to further strengthen the HKT Limited Group’s position as a premier telecommunications service provider in Hong Kong.

Set out below are the continuing connected transactions between the HKT Limited Group and the PCCW Group during the year ended December 31, 2021 under the relevant agreements with a term of not exceeding three years. The Trustee-Manager and the Company have complied with the applicable requirements under Chapter 14A of the Listing Rules with respect to the below continuing connected transactions during the year.

Products and services and floor space supplied by the HKT Limited Group to PCCW Media Holdings Limited (“PCCW Media Holdings”, an indirect wholly-owned subsidiary of PCCW) and its subsidiaries (collectively the “Media Group”)

(1) Provision of carriage services

On July 18, 2019, Hong Kong Telecommunications (HKT) Limited (“HK Telecom”), an indirect wholly-owned subsidiary of the Company, and PCCW Media Limited (“PCCW Media”), the then indirect wholly-owned subsidiary of PCCW, entered into a carriage services agreement (as subsequently novated on September 30, 2020 from PCCW Media to PCCW Media Holdings), pursuant to which HK Telecom has agreed to provide or procure the provision of carriage services to the Media Group to facilitate the Media Group’s delivery of its pay television, free TV and other services to its customers.

(2) Provision of marketing and sales services

On July 18, 2019, HK Telecom and PCCW Media entered into a marketing and sales services agreement (as subsequently novated on September 30, 2020 from PCCW Media to PCCW Media Holdings), pursuant to which HK Telecom has agreed to market and sell Media Group’s products and services through the HKT Limited Group’s direct marketing staff, front-line (i.e. on the street) sales teams, shops and via its call centres; and to provide a unified call-centre support service. This agreement is the reciprocal arrangement of the agreement referred to in paragraph (8) below, on like terms, governing sales by the Media Group’s dedicated sales staff of the HKT Limited Group’s products and services.

(3) Provision of internal (specialist telecom) services

On July 18, 2019, HK Telecom and PCCW Media entered into an internal (specialist telecom) services agreement (as subsequently novated on September 30, 2020 from PCCW Media to PCCW Media Holdings), pursuant to which HK Telecom has agreed to procure that relevant members of the HKT Limited Group provide to the Media Group a range of specialized support services that are integral to the operation of the Media Group’s business.

(4) Provision of customer premises equipment (CPE) solutions and networking services

On July 18, 2019, HK Telecom and PCCW Media entered into a customer premises equipment (CPE) services agreement (as subsequently novated on September 30, 2020 from PCCW Media to PCCW Media Holdings), pursuant to which HK Telecom has agreed to provide customer premises equipment and solutions, network connectivity relocation and set-up and other related services to the Media Group so as to meet demand from the Media Group for its plan of ongoing infrastructure upgrade and expansion. In particular, this covers PCCW Media’s office relocation project that requires set-up of relevant equipment and facilities, provision of new fixed and broadband lines and IT infrastructure set-up (inclusive of cable networks and security systems) by the HKT Limited Group.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

A. PCCW and its subsidiaries (excluding the HKT Limited Group) (collectively, the “PCCW Group”) (continued)

Products and services and floor space supplied by the HKT Limited Group to PCCW Media Holdings Limited (“PCCW Media Holdings”, an indirect wholly-owned subsidiary of PCCW) and its subsidiaries (collectively the “Media Group”) (continued)

(5) Licensed access to floor space

Under the licence agreement dated July 18, 2019 (as subsequently novated on September 30, 2020 from PCCW Media to PCCW Media Holdings), PCCW Media Holdings has been afforded certain limited access rights to floor space for it and members of the Media Group at a number of premises of PCCW-HKT Telephone Limited (“HKTC”, an indirect wholly-owned subsidiary of PCCW) (“HKTC’s Premises”). Pursuant to a licence agreement signed between HK Telecom and HKTC, HKTC granted to HK Telecom a licence to, among other things, install, store, operate and maintain equipment, machinery, chattels and installations at HKTC’s Premises. HKTC continues to meet and defray all costs, expenses and outgoings of HKTC’s Premises but HK Telecom is responsible for reimbursing HKTC the outgoings on a periodic basis. HKTC is also required to pay the amount of any income or profit received or to be received by HKTC to HK Telecom in respect of HKTC’s Premises. Accordingly, the licence fees paid by the Media Group are passed on by HKTC to HK Telecom pursuant to the aforesaid arrangement. In effect, therefore, these licensing arrangements are akin to direct arrangements between HK Telecom and the Media Group.

On September 30, 2020, PCCW Media and PCCW Media Holdings entered into a licence agreement, pursuant to which PCCW Media agreed to grant to members of the Media Group certain limited rights of access to and use of certain floor space. The licence and related fees are charged based on the area used by the Media Group and, if applicable, in proportion to the total floor space leased by PCCW Media on a pro-rata basis.

(6) Content provision arrangements

On September 30, 2020, PCCW Media and PCCW Media Holdings entered into a content services agreement, pursuant to which PCCW Media has agreed to provide or procure the provision of media content supply, management and production support services to the Media Group for distribution through its various platforms.

Products and services supplied by the Media Group to the HKT Limited Group

(7) Provision of service and product packaging

On July 18, 2019, HK Telecom and PCCW Media entered into a service and product packaging agreement (as subsequently novated on September 30, 2020 from PCCW Media to PCCW Media Holdings), comprising two aspects:

- a mutual commitment to package the HKT Limited Group’s products and services and the Media Group’s products and services from time to time, from which results a dynamic and ongoing series of promotional packages (e.g. certain channels tied to a particular broadband purchasing commitment); and
- a commitment by the Media Group to provide the HKT Limited Group and/or its customers with certain services and products, the composition of which is agreed between the parties from time to time.

(8) Provision of marketing and sales services

On July 18, 2019, HK Telecom and PCCW Media entered into a marketing and sales services agreement (as subsequently novated on September 30, 2020 from PCCW Media to PCCW Media Holdings), which represents the reciprocal arrangement to that provided for in the agreement described in paragraph (2) above. By this agreement, PCCW Media Holdings agreed to procure that relevant members of the Media Group will market the products and services of the HKT Limited Group.

(9) Content provision arrangements

On July 18, 2019, HK Telecom and PCCW Media entered into a media content services agreement (as subsequently novated on September 30, 2020 from PCCW Media to PCCW Media Holdings), pursuant to which PCCW Media Holdings has a first right of supply and agreed to supply, procure the supply of or provide content management and production support services to the HKT Limited Group for distribution through its various platforms including **eye** and mobile platforms or other platforms.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)**A. PCCW and its subsidiaries (excluding the HKT Limited Group) (collectively, the “PCCW Group”) (continued)****Services and floor space supplied by the HKT Limited Group to HKT Solutions Holdings Limited and its subsidiaries (collectively the “Solutions Group”)****(10) Provision of telecommunications and other miscellaneous services**

On July 18, 2019, HK Telecom and PCCW Solutions Limited (“PCCW Solutions”), an indirect wholly-owned subsidiary of PCCW, entered into a telecommunications and other miscellaneous services agreement whereby HK Telecom and its specified affiliates in the HKT Limited Group have agreed to provide certain agreed telecommunications and related services to the Solutions Group on normal commercial terms.

(11) Licensed access to floor space

Under the licence agreement dated July 18, 2019, PCCW Solutions has been afforded certain limited access rights to floor space for it and members of the Solutions Group at a number of HKTC’s Premises. Pursuant to a licence agreement signed between HK Telecom and HKTC, HKTC granted to HK Telecom a licence to, among other things, install, store, operate and maintain equipment, machinery, chattels and installations at HKTC’s Premises. HKTC continues to meet and defray all costs, expenses and outgoings of HKTC’s Premises but HK Telecom is responsible for reimbursing HKTC the outgoings on a periodic basis. HKTC is also required to pay the amount of any income or profit received or to be received by HKTC to HK Telecom in respect of HKTC’s Premises. Accordingly, the licence fees paid by the Solutions Group are passed on by HKTC to HK Telecom pursuant to the aforesaid arrangement. In effect, therefore, these licensing arrangements are akin to direct arrangements between HK Telecom and the Solutions Group.

Services supplied by the Solutions Group to the HKT Limited Group**(12) Provision of solutions services (information technology, logistic and other contractor services)**

On July 18, 2019, HK Telecom and PCCW Solutions entered into a consolidated agreement for information technology, logistic and other contractor services, whereby PCCW Solutions and/or its affiliates have agreed to provide certain solutions services (e.g. bureau services, application management services, system development services, business processing, order fulfillment and logistical services) to the HKT Limited Group.

(13) Sub-contracting agreement

On July 18, 2019, PCCW (Macau), Limitada (“PCCW Macau”), a company within the HKT Limited Group, and Pacific Century CyberWorks Solutions (Macau) Limited (“PCCS”), an indirect wholly-owned subsidiary of PCCW, entered into a sub-contracting agreement. PCCW Macau has contracted with various third parties for the provision of solutions services with various operators in Macau such as information technology related systems within hotels and casinos. Rather than performing the work itself, PCCW Macau or its affiliates have sub-contracted the work to PCCS or its affiliates. Accordingly, the work is carried out by PCCS or its affiliates and all fees received in respect of the work are passed on by PCCW Macau to PCCS after PCCW Macau has deducted certain sub-contracting fees. Where appropriate, works for other places than Macau may also be subcontracted.

Other transactions between the HKT Limited Group and the PCCW Group**(14) Provision of corporate shared services**

On July 18, 2019, HKT Services Limited (“HKT Services”), a company within the HKT Limited Group, and PCCW Services Limited, a direct wholly-owned subsidiary of PCCW, entered into a shared services agreement, pursuant to which HKT Services and its affiliates have agreed to provide certain members of the PCCW Group a range of corporate support services that are integral to the operation of both groups, including managerial support.

(15) Provision of marketing and promotion services

On July 18, 2019, HK Telecom and PCCW-HKT Limited, an indirect wholly-owned subsidiary of PCCW, entered into a marketing and promotion services agreement, pursuant to which HK Telecom has agreed to provide marketing and promotion services to members of the PCCW Group for the marketing and promotion of the PCCW Group’s products and services.

(16) Provision of capacity access rights

On July 18, 2019, PCCW Global Limited, an indirect wholly-owned subsidiary of the Company, and Seamless Industries Limited (“Seamless Industries”), a direct wholly-owned subsidiary of PCCW, entered into a capacity access agreement pursuant to which Seamless Industries agreed to provide, upon the HKT Limited Group’s request, rights of capacity access to third party mobile networks in the United Kingdom. These may include, for example, the rights of capacity access to the mobile network of Hutchison 3G UK Limited (“Three UK”) obtained by Seamless Industries as part of the consideration for the sale of the entire issued share capital of Transvision Investments Limited to Three UK in 2017 as disclosed in the announcements issued by PCCW dated February 6, 2017 and May 31, 2017.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

A. PCCW and its subsidiaries (excluding the HKT Limited Group) (collectively, the “PCCW Group”) (continued)

The approximate aggregate value and the annual cap for each category of continuing connected transactions as described in paragraphs (1) to (16) above for the financial year ended December 31, 2021 are set out below:

| Agreement/Service description | Approximate aggregate values for the financial year ended December 31, 2021 (HK\$'000, except otherwise indicated) | Annual caps for the financial year ended December 31, 2021 (HK\$'000, except otherwise indicated) |
|---|--|---|
| Products and services and floor space supplied by the HKT Limited Group to the Media Group | | |
| (1) Provision of carriage services | 15,662 | 175,900 |
| (2) Provision of marketing and sales services | 37,103 | 379,900 |
| (3) Provision of internal (specialist telecom) services | 10,281 | 43,400 |
| (4) Provision of customer premises equipment (CPE) solutions and networking services | 14,421 | 160,000 |
| (5) Licensed access to floor space | 46,709 | 55,000 |
| (6) Content provision arrangements | 86,939 | 120,000 |
| Products and services supplied by the Media Group to the HKT Limited Group | | |
| (7) Provision of service and product packaging | 19,241 | 905,300 |
| (8) Provision of marketing and sales services | 18,584 | 111,100 |
| (9) Content provision arrangements | 166,556 | 684,000 |
| Services and floor space supplied by the HKT Limited Group to the Solutions Group | | |
| (10) Provision of telecommunications and other miscellaneous services | 1,468,747 | 1,513,000 |
| (11) Licensed access to floor space | 4,600 | 5,600 |
| Services supplied by the Solutions Group to the HKT Limited Group | | |
| (12) Provision of solutions services (information technology, logistic and other contractor services) | 1,201,800 | 1,593,500 |
| (13) (a) Contracted service cost from PCCW Macau to PCCS | 14,000 | 150,000 |
| (b) Sub-contracting fees from PCCS to PCCW Macau | 900 | 7,500 |
| Other transactions between the HKT Limited Group and the PCCW Group | | |
| (14) Provision of corporate shared services | 266,252 | 300,700 |
| (15) Provision of marketing and promotion services | 159,043 | 201,400 |
| (16) Provision of capacity access rights | £0.647 million (Note 1) | £42.5 million (Note 2) |

Notes:

- (1) equivalent to approximately HK\$6.9 million based on the exchange rate of £1 = HK\$10.6285.
- (2) equivalent to approximately HK\$422 million based on the exchange rate of £1 = HK\$9.9278 (translation of currency value was disclosed in the previous announcement dated July 18, 2019 jointly issued by the HKT Trust and HKT).

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

B. FWD Group Holdings Limited and its subsidiaries (collectively, the “FWD Group”)

Members of the HKT Limited Group entered into various continuing connected transaction agreements with the FWD Group for the provision and receipt of certain services and products by the HKT Limited Group to or from the FWD Group and as stated in the joint announcement of the HKT Trust and HKT and PCCW dated December 24, 2020, the HKT Limited Group set the annual caps for the three financial years ending December 31, 2022. It is considered that provision of these services can be expected to generate additional revenue and operating profit for the relevant members of the HKT Limited Group providing the services, and to increase utilization of their existing resources.

The FWD Group is indirectly majority owned and controlled by Li Tzar Kai, Richard who is a director of certain FWD Group companies and also a director of HKT and the Trustee-Manager. Accordingly, members of the FWD Group are associates of Li Tzar Kai, Richard and thus connected persons of the HKT Trust and HKT under Chapter 14A of the Listing Rules.

Set out below are the continuing connected transactions between the HKT Limited Group and the FWD Group during the year ended December 31, 2021 under the relevant agreements with a term of not exceeding three years. The Trustee-Manager and the Company have complied with the applicable requirements under Chapter 14A of the Listing Rules with respect to the below continuing connected transactions during the year.

Services provided by the HKT Limited Group to the FWD Group

(I) Telecommunications and related services

On December 24, 2020, HK Telecom and FWD Group Management Holdings Limited, a member of the FWD Group, entered into a telecommunications and related services agreement, pursuant to which HK Telecom has agreed to provide, or procure other members of the HKT Limited Group to provide, telecommunications and related services to the FWD Group. The services are expected to include, without limitation, the following:

1. telecommunications services such as telephone services (fixed-line, unified communications and mobile services) and devices; connectivity services including local data, broadband, wifi, Datapak, private network connectivity, SkyExchange, cloud connectivity, facilities managed network services, Internet access, international telecommunications, international private leased circuit and other network services; cloud computing services; Internet of Things (IoT) products and services; and other telecommunications services as agreed to be provided by members of the HKT Limited Group to the FWD Group. The services are charged at prevailing market rates for services of similar scope, scale, quality, reliability and services level that would be charged for independent third party customers, as agreed by the relevant members of the HKT Limited Group and the FWD Group from time to time; and
2. other support services, such as computer and customer premises equipment (CPE) rental services; teleservices; network, operational and maintenance support services; equipment and facilities leasing services; and other support services as agreed to be provided by members of the HKT Limited Group to the FWD Group. The services are charged on cost-plus basis as agreed by the relevant members of the HKT Limited Group and the FWD Group from time to time.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

B. FWD Group Holdings Limited and its subsidiaries (collectively, the “FWD Group”) (continued)

Services provided by the HKT Limited Group to the FWD Group (continued)

(II) Insurance and related services

On December 24, 2020, HKT Financial Services (IA) Limited (“HKTIA”), an indirect wholly-owned subsidiary of the Company, and FWD Life Insurance Company (Bermuda) Limited (“FWD Life Insurance”), a member of the FWD Group, entered into an insurance and related services agreement, pursuant to which HKTIA has agreed to provide, or procure other members of the HKT Limited Group to provide, insurance and related services to the FWD Group. The services are expected to include, without limitation, the following:

1. insurance agency services in Hong Kong to be provided by members of the HKT Limited Group as insurance agent in Hong Kong for selling certain insurance products of members of the FWD Group. Commission for such insurance agency services will be charged at such rate determined with reference to market rates charged by third party insurance agents for similar insurance products or services as agreed by the relevant members of the HKT Limited Group and the FWD Group;
2. reinsurance services to be provided by the HKT Limited Group to the FWD Group under which relevant members of the HKT Limited Group, such as PCCW Risk Finance Limited, being a registered insurer in Bermuda, may reinsure some of the FWD Group’s underwriting liabilities arising from insurance policies issued in Hong Kong to members of the HKT Limited Group. Premium to be received by the HKT Limited Group from the FWD Group will be determined based on prevailing market rates and actuarial review of the relevant members of the HKT Limited Group and the FWD Group; and
3. other insurance and related services as may be agreed by members of the HKT Limited Group and the FWD Group from time to time.

Services provided by the FWD Group to the HKT Limited Group

(III) FWD Insurance services and products

On December 24, 2020, HKT Services and FWD Life Insurance entered into a FWD Insurance services and products agreement, pursuant to which FWD Life Insurance has agreed to provide, or procure other members of the FWD Group to provide, insurance and related services and products to the HKT Limited Group. The services and products are expected to include, without limitation, the following:

1. insurance services and products of the FWD Group, which will be charged at such rate determined with reference to market rates for similar insurance services or products as agreed by members of the HKT Limited Group and the FWD Group; and
2. other insurance and related services and products as may be agreed by members of the HKT Limited Group and the FWD Group from time to time.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)**B. FWD Group Holdings Limited and its subsidiaries (collectively, the “FWD Group”) (continued)**

The approximate aggregate value and the annual cap for each category of continuing connected transactions as described in paragraphs (I) to (III) above for the financial year ended December 31, 2021 are set out below:

| Agreement/Service description | Approximate aggregate values for the financial year ended December 31, 2021 (HK\$'000) | Annual caps for the financial year ended December 31, 2021 (HK\$'000) |
|---|---|---|
| Services provided by the HKT Limited Group to the FWD Group | | |
| (I) Telecommunications and related services | 38,529 | 100,000 |
| (II) Insurance and related services | 11,179 | 150,000 |
| Services provided by the FWD Group to the HKT Limited Group | | |
| (III) FWD Insurance services and products | 94,839 | 520,000 |

Annual Review of Continuing Connected Transactions

The Company's external auditor was engaged to report on the continuing connected transactions described in paragraphs (1) to (16) above entered into between the HKT Limited Group and the PCCW Group and in paragraphs (I) to (III) above entered into between the HKT Limited Group and the FWD Group for the year ended December 31, 2021 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 (Revised) “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The external auditor has issued their unqualified letter containing their findings and conclusions in respect of the above continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the external auditor’s letter has been provided by the Trustee-Manager and the Company jointly to the Stock Exchange.

The Trustee-Manager Board and the Company Board, including the independent non-executive Directors, have reviewed and confirmed that the continuing connected transactions described in paragraphs (1) to (16) and (I) to (III) above were entered into:

- (i) in the ordinary and usual course of business of the HKT Limited Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the holders of the Share Stapled Units as a whole.

The Trustee-Manager Board has also confirmed that the charges paid or payable out of the Trust Property (as defined in the Trust Deed) of the HKT Trust to the Trustee-Manager are in accordance with the Trust Deed; and they are not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the HKT Trust or on the interests of all the holders of the Share Stapled Units as a whole.

RELATED PARTY TRANSACTIONS

The significant related party transactions which were undertaken in the normal course of business are set out in note 6 to the HKT Trust and HKT Limited consolidated financial statements and in note 4 to the financial statements of HKT Management Limited. For those related party transactions that constituted connected transactions or continuing connected transactions (as the case may be) (other than those described in the section above headed “**Continuing Connected Transactions**”) under the Listing Rules, these transactions are exempt from reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company’s amended and restated articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PUBLIC FLOAT

As at the date of this report, the HKT Trust (including the Trustee-Manager) and the Company have complied with the prescribed public float requirement under the Listing Rules, based on the information that is publicly available to the Trustee-Manager and the Company and within the knowledge of the Directors.

AUDITOR

The HKT Trust and HKT Limited consolidated financial statements for the financial year ended December 31, 2021 and the financial statements of the Trustee-Manager for the financial year ended December 31, 2021 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the HKT Trust, the Company and the Trustee-Manager is to be proposed at the forthcoming AGM.

By order of the boards of
HKT Management Limited and
HKT Limited

Cheung Hok Chee, Vanessa

Group General Counsel and Company Secretary
Hong Kong, February 24, 2022

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE HOLDERS OF SHARE STAPLED UNITS OF HKT TRUST AND HKT LIMITED

(HKT Trust is a trust constituted under the laws of Hong Kong; HKT Limited is incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of HKT Trust, HKT Limited (the “Company”) and its subsidiaries (together the “Group”) and of HKT Limited and its subsidiaries (the “HKT Limited Group”) set out on pages 106 to 205 (together referred to as the “HKT Trust and HKT Limited consolidated financial statements”). As explained in note 1 to the HKT Trust and HKT Limited consolidated financial statements, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together. The HKT Trust and HKT Limited consolidated financial statements together comprise:

- the consolidated statement of financial position as at December 31, 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include principal accounting policies and other explanatory information.

Our opinion

In our opinion, the HKT Trust and HKT Limited consolidated financial statements give a true and fair view of the consolidated financial position of the Group and of the HKT Limited Group as at December 31, 2021, and of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the HKT Trust and HKT Limited Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and of the HKT Limited Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the HKT Trust and HKT Limited consolidated financial statements of the current period. These matters were addressed in the context of our audit of the HKT Trust and HKT Limited consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Revenue recognition
- Impairment assessments for cash generating units (“CGUs”) containing goodwill
- Income taxes

Key Audit Matter

How our audit addressed the Key Audit Matter

Revenue recognition

Refer to notes 7 and 8 to the HKT Trust and HKT Limited consolidated financial statements

The Group and the HKT Limited Group recognized revenue of HK\$33,961 million for the year ended December 31, 2021, including external revenue from Telecommunications Services (“TSS”) Business, Mobile Business and Pay TV Business of HK\$20,708 million, HK\$10,838 million and HK\$1,551 million respectively.

The Group and the HKT Limited Group enter into bundled sale contracts with customers in which, apart from the provision of telecommunications and pay-TV services, the Group and the HKT Limited Group have certain other performance obligations to customers such as the delivery of handsets, equipment and gifts.

Revenue recognition is subject to high degree of estimation uncertainty and significant inherent risk. Significant management’s judgements were needed to appropriately identify the number of performance obligations included in the multiple-element arrangements, to estimate the stand-alone selling price of each performance obligation, and to allocate the total transaction prices from customers to each performance obligation of multiple-element arrangements based on its relative stand-alone selling price.

Significant effort was spent auditing the revenue recognized by TSS Business, Mobile Business and Pay TV Business due to the large volume of transactions, the complexity of the systems used, the significant judgements involved in the identification of performance obligations and the estimation of the stand-alone selling price of each performance obligation to allocate the total transaction prices to multiple-element arrangements.

Our procedures in relation to the judgements and estimates used in the recognition of revenue included:

- Obtaining an understanding of and evaluating the internal controls, and validating key controls in place on revenue recognition and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied;
- Assessing the appropriateness of management’s assessments on the identification of performance obligations based on the contractual agreements and our knowledge of the business;
- Assessing the reasonableness of management’s judgements and estimates used to determine the stand-alone selling price of each performance obligation and to allocate revenue to multiple-element arrangements with reference to observable market data;
- Testing, on a sample basis, the revenue transactions by tracing the transactions from the billing systems to supporting documents, such as underlying invoices, contractual agreements and evidence of cash receipts;
- Testing, on a sample basis, the calculation and allocation of total transaction prices to each performance obligation of multiple-element arrangements; and
- Assessing the adequacy of the disclosures related to revenue recognition in the context of HKFRSs disclosure requirements.

Based on the procedures performed, we considered that the risk assessment of revenue recognition remained appropriate and the judgements and estimates used in the recognition of revenue to be supported by the available evidence.

Key Audit Matters (continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|--|
| <p>Impairment assessments for CGUs containing goodwill</p> <p>Refer to note 19 to the HKT Trust and HKT Limited consolidated financial statements</p> <p>As at December 31, 2021, the Group and the HKT Limited Group had goodwill amounting to HK\$49,809 million.</p> <p>Goodwill was allocated to CGUs, and the recoverable amount of each CGU was determined by management based on value-in-use calculation using cash flow projections which is subject to high degree of estimation uncertainty and significant inherent risk. In carrying out the impairment assessments, significant management's judgements were used to appropriately identify CGUs and to determine the key assumptions, including average revenue growth rates, average EBITDA growth rates, terminal growth rates and discount rates used in the value-in-use calculations. Management has concluded that there is no impairment in respect of the goodwill in the current year.</p> | <p>Our procedures in relation to the judgements and estimates used in the impairment assessments included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of and evaluating the internal controls, and validating key controls in place on impairment assessments and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied; • Assessing the reasonableness of management's identification of CGUs based on the Group's and the HKT Limited Group's accounting policies and our understanding of the Group's and the HKT Limited Group's businesses; • Involving our internal expert in assessing the value-in-use calculation methodology in accordance with Hong Kong Accounting Standard 36 <i>Impairment of Assets</i>; • Involving our internal expert in assessing the reasonableness of the key assumptions, including average revenue growth rates, average EBITDA growth rates, terminal growth rates and discount rates, based on our knowledge of the business and the observable market data of the industry; • Comparing the data in the cash flow projections to the relevant CGUs' historical performance, financial budgets and forecasts, and assessing the reasonableness of the cash flow projections based on the key assumptions; • Performing sensitivity analyses on the key assumptions to which the recoverable amounts are the most sensitive; and • Assessing the adequacy of the disclosures related to the impairment assessments in the context of HKFRSs disclosure requirements. <p>Based on the procedures performed, we considered that the risk assessment of the impairment assessments remained appropriate and the judgements and assumptions used in the impairment assessments to be supported by the available evidence.</p> |

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PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong

Key Audit Matters (continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| <p>Income taxes</p> <p>Refer to notes 13 and 33 to the HKT Trust and HKT Limited consolidated financial statements</p> <p>The Group and the HKT Limited Group operate across several jurisdictions and are subject to Hong Kong and overseas taxes. From time to time, there are queries raised by relevant tax authorities in respect of the tax treatments of certain matters. Significant judgements were used to estimate the outcome of these matters and the appropriate amount of current income tax liabilities. These estimations are subject to high degree of estimation uncertainty and significant inherent risk.</p> <p>The Group and the HKT Limited Group recognized deferred income tax assets of HK\$871 million related to available tax losses as at December 31, 2021. In assessing the amount of deferred income tax assets to be recognized, the Group and the HKT Limited Group have considered the future taxable profits and business plans.</p> | <p>Our procedures in relation to the judgements and estimates used in the recognition of current income tax provisions and deferred income tax assets included:</p> <ul style="list-style-type: none">• Understanding management's internal controls and processes for the recognition of current income tax provisions and deferred income tax assets and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and the judgement involved in determining assumptions to be applied;• Enquiring with management and assessing management's basis used to compute the current income tax liabilities and the estimated outcome of queries raised by relevant tax authorities;• Assessing the appropriateness of the current income tax computation for the current year, according to the tax rules in the respective jurisdictions;• Testing, on a sample basis, available tax losses to the relevant financial statements and tax assessments;• Assessing the reasonableness of the recognition of deferred income tax assets and the future taxable profits by comparing the data in the future taxable profits projections to the historical performance and considering the reasonableness of the key assumptions, including revenue growth rates and EBITDA growth rates, based on our knowledge of the business and the observable market data of the industry; and• Assessing the adequacy of the disclosures related to the recognition of current income tax provisions and deferred income tax assets in the context of HKFRSs disclosure requirements. <p>Based on the procedures performed, we considered that the risk assessment of the recognition of current income tax provisions and deferred income tax assets remained appropriate, and we considered that the judgements and assumptions used in the recognition of current income tax provisions and deferred income tax assets to be supported by the available evidence.</p> |

Other Information

The directors of HKT Management Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the HKT Trust) and the directors of the Company are responsible for the other information. The other information comprises all of the information included in the HKT Trust and HKT Limited 2021 annual report other than the HKT Trust and HKT Limited consolidated financial statements, the financial statements of HKT Management Limited and our auditor's reports thereon.

Our opinion on the HKT Trust and HKT Limited consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the HKT Trust and HKT Limited consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the HKT Trust and HKT Limited consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the HKT Trust and HKT Limited Consolidated Financial Statements

The directors of the Trustee-Manager and the directors of the Company are responsible for the preparation of the HKT Trust and HKT Limited consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the HKT Trust and HKT Limited consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the HKT Trust and HKT Limited consolidated financial statements, the directors are responsible for assessing the Group's and the HKT Limited Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the HKT Limited Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's and the HKT Limited Group's financial reporting process.

Auditor's Responsibilities for the Audit of the HKT Trust and HKT Limited Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the HKT Trust and HKT Limited consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these HKT Trust and HKT Limited consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the HKT Trust and HKT Limited consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong

Auditor's Responsibilities for the Audit of the HKT Trust and HKT Limited Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the HKT Limited Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the HKT Limited Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the HKT Trust and HKT Limited consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the HKT Limited Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the HKT Trust and HKT Limited consolidated financial statements, including the disclosures, and whether the HKT Trust and HKT Limited consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and the HKT Limited Group to express an opinion on the HKT Trust and HKT Limited consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the HKT Trust and HKT Limited consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Ka Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, February 24, 2022

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PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong

CONSOLIDATED INCOME STATEMENT OF HKT TRUST AND OF HKT LIMITED

For the year ended December 31, 2021

| In HK\$ million (except for earnings per Share Stapled Unit/share of the Company) | Note(s) | 2020 | 2021 |
|---|---------|-------------|--------------------|
| Revenue | 7, 8 | 32,389 | 33,961 |
| Cost of sales | 10(b) | (15,703) | (16,729) |
| General and administrative expenses | 10(c) | (9,498) | (10,127) |
| Other gains/(losses), net | 9 | 361 | (8) |
| Finance costs, net | 11 | (1,296) | (1,148) |
| Share of results of associates | | (68) | (115) |
| Share of results of joint ventures | | (11) | (15) |
| Profit before income tax | 7, 10 | 6,174 | 5,819 |
| Income tax | 13 | (855) | (997) |
| Profit for the year | | 5,319 | 4,822 |
| Profit attributable to: | | | |
| Holders of Share Stapled Units/shares of the Company | | 5,303 | 4,808 |
| Non-controlling interests | | 16 | 14 |
| Profit for the year | | 5,319 | 4,822 |
| Earnings per Share Stapled Unit/share of the Company | 15 | | |
| Basic | | 70.01 cents | 63.49 cents |
| Diluted | | 70.00 cents | 63.48 cents |

The notes on pages 113 to 205 form part of the consolidated financial statements. As explained in note 1, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HKT TRUST AND OF HKT LIMITED

For the year ended December 31, 2021

| In HK\$ million | 2020 | 2021 |
|---|-------|--------------|
| Profit for the year | 5,319 | 4,822 |
| Other comprehensive income/(loss) | | |
| Items that have been reclassified or may be reclassified subsequently to consolidated income statement: | | |
| Exchange differences on translating foreign operations | 75 | (38) |
| Reclassification of currency translation reserve on disposal of subsidiaries | 5 | – |
| Cash flow hedges: | | |
| – effective portion of changes in fair value | (268) | (2) |
| – transfer from equity to consolidated income statement | (82) | 8 |
| Costs of hedging | 181 | (55) |
| Other comprehensive loss for the year | (89) | (87) |
| Total comprehensive income for the year | 5,230 | 4,735 |
| Attributable to: | | |
| Holders of Share Stapled Units/shares of the Company | 5,216 | 4,721 |
| Non-controlling interests | 14 | 14 |
| Total comprehensive income for the year | 5,230 | 4,735 |

The notes on pages 113 to 205 form part of the consolidated financial statements. As explained in note 1, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HKT TRUST AND OF HKT LIMITED

For the year ended December 31, 2021

| In HK\$ million | Note | 2020 | | Total equity |
|---|----------|--|---------------------------|--------------|
| | | Attributable to holders of Share Stapled Units/shares of the Company | Non-controlling interests | |
| As at January 1, 2020 | | 37,912 | 58 | 37,970 |
| Total comprehensive income for the year | | | | |
| Profit for the year | | 5,303 | 16 | 5,319 |
| Other comprehensive income/(loss) | | | | |
| Items that have been reclassified or may be reclassified subsequently to consolidated income statement: | | | | |
| Exchange differences on translating foreign operations | | 77 | (2) | 75 |
| Reclassification of currency translation reserve on disposal of subsidiaries | | 5 | – | 5 |
| Cash flow hedges: | | | | |
| – effective portion of changes in fair value | 29(c) | (268) | – | (268) |
| – transfer from equity to consolidated income statement | 29(c) | (82) | – | (82) |
| Costs of hedging | 29(c) | 181 | – | 181 |
| Other comprehensive loss | | (87) | (2) | (89) |
| Total comprehensive income for the year | | 5,216 | 14 | 5,230 |
| Transactions with equity holders | | | | |
| Issue of Share Stapled Units/shares of the Company under the HKT Share Stapled Units Subscription Scheme | 31(a)(i) | 48 | – | 48 |
| Purchase/subscription of Share Stapled Units under the Share Stapled Units Award Schemes | | (52) | – | (52) |
| Receipt of PCCW Shares under the PCCW Subscription Scheme | | 32 | – | 32 |
| Employee share-based compensation | | 20 | – | 20 |
| Distribution/dividend for Share Stapled Units/shares of the Company granted under the Share Stapled Units Award Schemes | | (2) | – | (2) |
| Distribution/dividend paid in respect of the previous year | 14 | (3,057) | – | (3,057) |
| Interim distribution/dividend declared and paid in respect of the current year | 14 | (2,279) | – | (2,279) |
| Dividends declared and paid to non-controlling shareholders of subsidiaries | | – | (14) | (14) |
| Total contributions by and distributions to equity holders | | (5,290) | (14) | (5,304) |
| Acquisition of subsidiaries | | – | 4 | 4 |
| Total changes in ownership interests in subsidiaries that do not result in a loss of control | | – | 4 | 4 |
| Total transactions with equity holders | | (5,290) | (10) | (5,300) |
| As at December 31, 2020 | | 37,838 | 62 | 37,900 |

| In HK\$ million | Note | 2021 | | Total equity |
|---|-------|--|---------------------------|----------------|
| | | Attributable to holders of Share Stapled Units/shares of the Company | Non-controlling interests | |
| As at January 1, 2021 | | 37,838 | 62 | 37,900 |
| Total comprehensive income for the year | | | | |
| Profit for the year | | 4,808 | 14 | 4,822 |
| Other comprehensive income/(loss) | | | | |
| Items that have been reclassified or may be reclassified subsequently to consolidated income statement: | | | | |
| Exchange differences on translating foreign operations | | (38) | – | (38) |
| Cash flow hedges: | | | | |
| – effective portion of changes in fair value | 29(c) | (2) | – | (2) |
| – transfer from equity to consolidated income statement | 29(c) | 8 | – | 8 |
| Costs of hedging | 29(c) | (55) | – | (55) |
| Other comprehensive loss | | (87) | – | (87) |
| Total comprehensive income for the year | | 4,721 | 14 | 4,735 |
| Transactions with equity holders | | | | |
| Purchase of Share Stapled Units under the Share Stapled Units Award Schemes | | (5) | – | (5) |
| Employee share-based compensation | | 17 | – | 17 |
| Distribution/dividend for Share Stapled Units/shares of the Company granted under the Share Stapled Units Award Schemes | | (2) | – | (2) |
| Distribution/dividend paid in respect of the previous year | 14 | (3,103) | – | (3,103) |
| Interim distribution/dividend declared and paid in respect of the current year | 14 | (2,325) | – | (2,325) |
| Dividends declared and paid to non-controlling shareholders of subsidiaries | | – | (19) | (19) |
| Total contributions by and distributions to equity holders | | (5,418) | (19) | (5,437) |
| Acquisition of a subsidiary | | – | (1) | (1) |
| Total changes in ownership interest in a subsidiary that do not result in a loss of control | | – | (1) | (1) |
| Total transactions with equity holders | | (5,418) | (20) | (5,438) |
| As at December 31, 2021 | | 37,141 | 56 | 37,197 |

The notes on pages 113 to 205 form part of the consolidated financial statements. As explained in note 1, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HKT TRUST AND OF HKT LIMITED

As at December 31, 2021

| In HK\$ million | Note | 2020 | 2021 |
|---|-------|----------|-----------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 16 | 24,019 | 25,198 |
| Right-of-use assets | 17 | 2,430 | 2,139 |
| Interests in leasehold land | 18 | 202 | 189 |
| Goodwill | 19 | 49,816 | 49,809 |
| Intangible assets | 20 | 11,408 | 15,617 |
| Fulfillment costs | | 1,418 | 1,512 |
| Customer acquisition costs | | 670 | 858 |
| Contract assets | | 354 | 300 |
| Interests in associates | 21 | 211 | 360 |
| Interests in joint ventures | 22 | 602 | 555 |
| Financial assets at fair value through other comprehensive income | 23 | 124 | 124 |
| Financial assets at fair value through profit or loss | 24 | 49 | 38 |
| Derivative financial instruments | 29 | 214 | 131 |
| Deferred income tax assets | 33 | 841 | 758 |
| Other non-current assets | 26 | 1,076 | 889 |
| | | 93,434 | 98,477 |
| Current assets | | | |
| Inventories | 27(a) | 820 | 1,218 |
| Prepayments, deposits and other current assets | 27(b) | 2,209 | 2,141 |
| Contract assets | | 657 | 699 |
| Trade receivables, net | 27(c) | 3,253 | 3,953 |
| Amounts due from related companies | 6(c) | 40 | 31 |
| Financial assets at fair value through profit or loss | 24 | 16 | 15 |
| Tax recoverable | | 5 | 8 |
| Restricted cash | 27(d) | 107 | 187 |
| Short-term deposits | | 538 | 472 |
| Cash and cash equivalents | 35(c) | 2,092 | 2,411 |
| | | 9,737 | 11,135 |
| Current liabilities | | | |
| Short-term borrowings | 27(e) | (1,552) | (61) |
| Trade payables | 27(f) | (3,945) | (5,250) |
| Accruals and other payables | | (4,084) | (4,221) |
| Derivative financial instruments | 29 | (24) | – |
| Carrier licence fee liabilities | 34 | (215) | (315) |
| Amount due to a fellow subsidiary | 6(c) | (1,585) | (1,962) |
| Amount due to a related company | 6(c) | (42) | (65) |
| Advances from customers | | (247) | (270) |
| Contract liabilities | | (1,423) | (1,513) |
| Lease liabilities | | (1,251) | (1,023) |
| Current income tax liabilities | | (1,001) | (1,523) |
| | | (15,369) | (16,203) |

| In HK\$ million | Note | 2020 | 2021 |
|--|-------|----------|-----------------|
| Non-current liabilities | | | |
| Long-term borrowings | 28 | (40,719) | (43,628) |
| Derivative financial instruments | 29 | (128) | (128) |
| Deferred income tax liabilities | 33 | (4,253) | (4,674) |
| Carrier licence fee liabilities | 34 | (627) | (3,449) |
| Contract liabilities | | (1,074) | (1,159) |
| Lease liabilities | | (1,458) | (1,162) |
| Other long-term liabilities | | (1,643) | (2,012) |
| | | (49,902) | (56,212) |
| Net assets | | 37,900 | 37,197 |
| CAPITAL AND RESERVES | | | |
| Share capital | 31(a) | 8 | 8 |
| Reserves | 32 | 37,830 | 37,133 |
| Equity attributable to holders of Share Stapled Units/shares of the Company | | 37,838 | 37,141 |
| Non-controlling interests | 25(b) | 62 | 56 |
| Total equity | | 37,900 | 37,197 |

Approved and authorized for issue by the boards of directors of HKT Management Limited and HKT Limited (collectively, the "Boards") on February 24, 2022 and signed on behalf of the Boards by

Li Tzar Kai, Richard
Director

Hui Hon Hing, Susanna
Director

The notes on pages 113 to 205 form part of the consolidated financial statements. As explained in note 1, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together.

CONSOLIDATED STATEMENT OF CASH FLOWS OF HKT TRUST AND OF HKT LIMITED

For the year ended December 31, 2021

| In HK\$ million | Note | 2020 | 2021 |
|--|-------|----------|-----------------|
| NET CASH GENERATED FROM OPERATING ACTIVITIES | 35(a) | 10,540 | 10,641 |
| INVESTING ACTIVITIES | | | |
| Proceeds from disposal of property, plant and equipment | | 3 | 42 |
| Purchases of property, plant and equipment | | (2,377) | (2,378) |
| Additions of intangible assets | | (2,391) | (2,887) |
| Net (outflow)/inflow of cash and cash equivalents in respect of business combinations | | (1,881) | 2 |
| Net inflow of cash and cash equivalents in respect of disposal of subsidiaries | | 136 | – |
| Investments in associates | | (70) | (264) |
| Investment in a joint venture | | – | (30) |
| Investments in financial assets at fair value through profit or loss | | – | (2) |
| Loans to an associate | | (11) | – |
| Loans to a joint venture | | (56) | (41) |
| Repayment of loan from an associate | | 11 | – |
| Cash received from lease receivables | | 69 | 83 |
| (Increase)/Decrease in short-term deposits with maturity more than three months | | (52) | 66 |
| NET CASH USED IN INVESTING ACTIVITIES | | (6,619) | (5,409) |
| FINANCING ACTIVITIES | | | |
| New borrowings raised | 35(b) | 19,511 | 15,912 |
| Finance costs paid | 35(b) | (772) | (616) |
| Repayments of borrowings | 35(b) | (17,693) | (14,468) |
| Payment for lease liabilities (including interest) | 35(b) | (1,590) | (1,624) |
| Movement in amount due to a fellow subsidiary | 35(b) | 1,575 | 1,305 |
| Movement in amount due to a related company | 35(b) | – | 22 |
| Proceeds from issuance of Share Stapled Units/shares of the Company | | 48 | – |
| Distributions/dividends paid to holders of Share Stapled Units/shareholders of the Company | 14 | (5,336) | (5,428) |
| Dividends paid to non-controlling shareholders of subsidiaries | | (14) | (19) |
| Consideration paid to acquire non-controlling interests of a subsidiary | | (8) | – |
| NET CASH USED IN FINANCING ACTIVITIES | | (4,279) | (4,916) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (358) | 316 |
| Exchange differences | | 33 | 3 |
| CASH AND CASH EQUIVALENTS | | | |
| Beginning of year | | 2,417 | 2,092 |
| End of year | 35(c) | 2,092 | 2,411 |

The notes on pages 113 to 205 form part of the consolidated financial statements. As explained in note 1, the consolidated financial statements of the HKT Trust and the consolidated financial statements of HKT Limited are presented together.

NOTES TO THE HKT TRUST AND HKT LIMITED CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021

1 BASIS OF PRESENTATION

In accordance with the Trust Deed (as defined below), HKT Trust (the “HKT Trust”) and HKT Limited (the “Company”) are each required to prepare their own sets of financial statements on a consolidated basis. The HKT Trust consolidated financial statements for the year ended December 31, 2021 comprise the consolidated financial statements of the HKT Trust, the Company and its subsidiaries (together the “Group”), and the Group’s interests in associates and joint ventures. The HKT Limited consolidated financial statements for the year ended December 31, 2021 comprise the consolidated financial statements of the Company and its subsidiaries (together the “HKT Limited Group”) and the HKT Limited Group’s interests in associates and joint ventures, and the Company’s statement of financial position.

The HKT Trust controls the Company and the sole activity of the HKT Trust during the year ended December 31, 2021 was investing in the Company. Therefore, the consolidated financial results and financial position that would be presented in the consolidated financial statements of the HKT Trust are identical to the consolidated financial results and financial position of the Company with the only differences being disclosures of the capital of the Company. The directors of the Trustee-Manager (as defined below) and the directors of the Company believe therefore that it is clearer to present the consolidated financial statements of the HKT Trust and of the Company together. The consolidated financial statements of the HKT Trust and the consolidated financial statements of the Company are presented together to the extent they are identical and are hereinafter referred to as the “HKT Trust and HKT Limited consolidated financial statements”.

The consolidated income statements, consolidated statements of comprehensive income, consolidated statements of financial position, consolidated statements of changes in equity, consolidated statements of cash flows, principal accounting policies and the related explanatory information are common to the HKT Trust and the Company. The HKT Limited consolidated financial statements also include the stand-alone statement of financial position of the Company as shown in note 5, and the relevant explanatory information in note 31 where information specific to the Company are disclosed separately.

The Group and the HKT Limited Group are referred to as the “Groups”.

2 GENERAL INFORMATION

The HKT Trust is constituted by a Hong Kong law governed trust deed and as supplemented, amended or substituted from time to time (the “Trust Deed”), entered into between HKT Management Limited (the “Trustee-Manager”, in its capacity as the trustee-manager of the HKT Trust) and the Company. Under the Trust Deed, the Trustee-Manager has been appointed as the trustee and manager of the HKT Trust. The scope of activities of the HKT Trust specified in the Trust Deed is essentially limited to investing in the Company and all the issued and paid-up ordinary shares of the Company are held by the HKT Trust. The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on June 14, 2011. The Company has established a principal place of business in the Hong Kong Special Administrative Region (“Hong Kong”) at 39th Floor, PCCW Tower, Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong and was registered as a non-Hong Kong company. The HKT Limited Group is principally engaged in the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, FinTech, e-Commerce, Big Data Analytics, media entertainment including the provision of interactive pay-TV services, 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.

The share stapled units (the “Share Stapled Units”) structure comprises: (a) a unit in the HKT Trust; (b) a beneficial interest in a specifically identified ordinary share in the Company is “linked” to the unit and held by the Trustee-Manager as legal owner in its capacity as the trustee-manager of the HKT Trust; and (c) a specifically identified preference share in the Company which is “stapled” to the unit. The Share Stapled Units, which are jointly issued by the HKT Trust and the Company, are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The ultimate holding company of both the HKT Trust and the Company is PCCW Limited (“PCCW”), a company incorporated in Hong Kong with its shares listed on the Main Board of the Stock Exchange and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States.

These financial statements are presented in Hong Kong dollars, unless otherwise stated.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

The HKT Trust and HKT Limited consolidated financial statements 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 disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). A summary of the principal accounting policies adopted by the Groups is set out below.

b. Basis of preparation of the financial statements

The following amended Hong Kong Financial Reporting Standards are adopted for the financial year beginning January 1, 2021, but have no material effect on the Groups’ reported results and financial position for the current and prior accounting periods.

- HKAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*
- HKFRS 4 (Amendments), *Insurance Contracts*
- HKFRS 7 (Amendments), *Financial Instruments: Disclosures*
- HKFRS 9 (2014) (Amendments), *Financial Instruments*
- HKFRS 16 (Amendments), *Leases*

The Groups have not early adopted any other new or amended Hong Kong Financial Reporting Standards that are not yet effective for the current accounting period, details of which are set out in note 43.

The consolidated financial statements for the year ended December 31, 2021 comprise the financial statements of the Groups, and the Groups’ interests in associates and joint ventures.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except that the following assets and liabilities are stated at fair value as explained in the accounting policies set out below:

- financial assets at fair value through profit or loss (see note 3(n));
- financial assets at fair value through other comprehensive income (see note 3(n)); and
- derivative financial instruments (see note 3(p)).

As at December 31, 2021, the current liabilities of the Groups exceeded their current assets by HK\$5,068 million. Included in the current liabilities was current portion of contract liabilities of HK\$1,513 million recognized for which no direct cash settlement is required but will gradually reduce over the contract terms through the satisfaction of performance obligations. Also, considering the Groups’ ability to generate net operating cash inflows and raise additional debt financing, and the undrawn banking facilities totaling HK\$9,878 million as at December 31, 2021, management considers the Groups are able to meet their 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 preparation of financial statements in conformity with Hong Kong Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

b. Basis of preparation of the financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Hong Kong Financial Reporting Standards that have significant effect on the HKT Trust and HKT Limited consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 4.

c. Subsidiaries and non-controlling interests

Subsidiaries are entities (including structured entities) controlled by the Groups. Control exists when the Groups are exposed to, or have rights to, variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity.

An interest in a subsidiary is consolidated into the HKT Trust and HKT Limited consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Groups. The cost of an acquisition is measured as the aggregate fair value of the assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. The consideration transferred includes the fair value of any asset, liability or equity resulting from a contingent consideration arrangement. A subsequent change to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognized in accordance with HKFRS 9 (2014) *Financial Instruments* in the consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Groups recognize any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All other components of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by Hong Kong Financial Reporting Standards.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (see note 3(i)). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement. Where businesses are acquired and fair values of the net assets of the acquired business are finalized within 12 months of the acquisition date, all fair value adjustments are recorded with effect from the date of acquisition and consequently may result in the restatement of previously reported financial results.

If the business combination is achieved in stages, the acquisition-date carrying amount of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognized in the consolidated income statement.

The Groups treat transactions with non-controlling interests that do not result in a loss of control as transactions with equity holders of the Groups. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

For subsidiaries which have accounting year ends different from the Groups, the subsidiaries prepare, for the purpose of consolidation, financial statements up to and as at the same date as the Groups.

Adjustments are made to the financial statements of subsidiaries when necessary to align their accounting policies to ensure consistency with policies adopted by the Groups.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

c. Subsidiaries and non-controlling interests (continued)

Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the HKT Trust and HKT Limited consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized profits.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment losses. Cost includes direct attributable costs of investment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

d. Associates

An associate is an entity over which the Groups have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for in the HKT Trust and HKT Limited consolidated financial statements using the equity method and are initially recorded at cost. The Groups' interests in associates include goodwill identified on acquisition, net of any accumulated impairment loss and adjust thereafter for the post-acquisition changes in the Groups' share of the associates' net assets. The consolidated income statement includes the Groups' share of post-acquisition, post-tax results of the associates and any impairment losses for the year. The consolidated statement of comprehensive income includes the Groups' share of the post-acquisition, post-tax items of the associates' other comprehensive income.

When the Groups' share of losses exceeds their interest in the associate, the Groups' interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Groups have incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Groups' interest in the associate is the carrying amount of the investment using the equity method together with the Groups' long-term interests that in substance form part of the Groups' net interest in the associate.

Unrealized profits and losses resulting from transactions between the Groups and their associates are eliminated to the extent of the Groups' interests in the associates, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in the consolidated income statement.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to the consolidated income statement where appropriate.

Adjustments are made to the financial statements of associates when necessary to align their accounting policies to ensure consistency with policies adopted by the Groups.

e. Joint arrangements

The Groups apply HKFRS 11 *Joint Arrangements* to all joint arrangements. Under HKFRS 11, joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations of each investor.

The Groups classify joint arrangements as joint ventures when the Groups have rights to the net assets of the joint arrangement.

Investments in joint ventures are accounted for in the HKT Trust and HKT Limited consolidated financial statements using the equity method, as described in note 3(d).

Adjustments are made to the financial statements of joint ventures when necessary to align their accounting policies to ensure consistency with policies adopted by the Groups.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

f. Gaining or losing control

When the Groups cease to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint arrangement or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Groups had disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to the consolidated income statement.

g. Property, plant and equipment

The following items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 3(o)(ii)):

- buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 3(h)); and
- other items of plant and equipment.

The cost of an item of property, plant and equipment comprises (i) its purchase price, (ii) any directly attributable costs of bringing the asset to its working condition and location for its intended use, and (iii) the initial estimate at the time of installation and during the period of use, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located.

Subsequent costs are included in the carrying amount of an item of property, plant and equipment or recognized as a separate item of property, plant and equipment, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Groups and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance and overhaul costs, are recognized in the consolidated income statement as an expense in the period in which they are incurred.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in the consolidated income statement on the date of retirement or disposal.

Projects under construction are not depreciated. Depreciation on other property, plant and equipment is calculated to write off the cost of items of property, plant and equipment, less their expected residual value, if any, using the straight-line method over their estimated useful lives as follows:

| | |
|---------------------------|--|
| Buildings | Over the shorter of the unexpired term of land lease and the estimated useful life |
| Exchange equipment | 5 to 25 years |
| Transmission plant | 5 to 40 years |
| Other plant and equipment | 1 to 20 years |

The assets' useful lives and residual values, if any, are reviewed, and adjusted if appropriate, at the end of each reporting period.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

h. Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Groups determine that the arrangement conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Such determination is made on an evaluation of the substance of the arrangement, regardless of whether the arrangements take the legal form of a lease.

i. Assets leased to the Groups

Leases are initially recognized as a right-of-use asset/interest in leasehold land and corresponding liability, where applicable, at the date of which the leased asset is available for use by the Groups. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Interest in leasehold land is amortized on a straight-line basis over the lease term.

The Groups have elected the practical expedient not to separate lease and non-lease components of certain class of underlying assets and account for whole as a single lease component in the measurement of lease liabilities and right-of-use assets.

Assets leased to the Groups and the corresponding liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the Groups, as lessees, exercising an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the incremental borrowing rate of respective entities. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

h. Leased assets *(continued)*

ii. Assets leased out by the Groups

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Where the Groups lease out right-of-use assets (“sublease”), the Groups as an intermediate lessor classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease.

Where the Groups lease out assets under operating leases, the assets are included in the consolidated statement of financial position according to their nature and, where applicable, are depreciated in accordance with the Groups’ depreciation policies. Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(o)(ii). Revenue arising from operating leases is recognized in the consolidated income statement in equal installments over the accounting periods covered by the lease term. Lease incentives granted are recognized in the consolidated income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

Where the Groups lease out assets under finance leases, the present value of lease receipts is recognized as a receivable. Each lease receipt is allocated between the receivable and interest income. The interest element of the lease receipt is recognized in the consolidated income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the receivable for each period.

i. Goodwill

Goodwill represents the excess of the cost of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the Groups’ interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is stated in the consolidated statement of financial position at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (“CGUs”) and is tested at least annually for impairment (see note 3(o)(ii)). In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the interests in associates and joint ventures.

On disposal of a CGU or part of a CGU, an associate or a joint venture during the year, any attributable amount of purchased goodwill is included in the calculation of the gain or loss on disposal.

j. Intangible assets (other than goodwill)

i. Carrier licences

Carrier licences to establish and maintain the telecommunications network and to provide telecommunications services are recorded as intangible assets. Upon the issuance of the licence, the cost thereof, which is the discounted value of the minimum annual fees payable over the period of the licence and directly attributable costs of preparing the asset for its intended use, is recorded as an intangible asset together with the related obligations. Where the Groups have the right to return a licence and expect to do so, the asset and the related obligation recorded reflect the expected period that the licence will be held. Amortization is provided on a straight-line basis over the estimated useful life of the licence, commencing from the date of launch of the relevant telecommunications services.

The difference between the discounted value and the total minimum annual fee payments represents the effective cost of financing. Such finance cost will be charged to the consolidated income statement in the period in which it is incurred using the effective interest method.

Variable annual payments on top of the minimum annual payments, if any, are recognized in the consolidated income statement as incurred.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**j. Intangible assets (other than goodwill) (continued)****ii. Capitalized programme costs**

Costs incurred to produce or acquire television rights, for which the Groups can determine the broadcasting schedules, are capitalized as intangible assets. The intangible assets are amortized on an accelerated basis over the shorter of the expected economic life of 2 to 4 years and the licence period. Other costs incurred for the transmission rights for showing programmes, sports events and films on the Groups' television channels, including sport rights for multiple seasons or competitions, of which the broadcasting schedules are determined by the content providers, are recognized in the consolidated income statement on a straight-line basis over the period of transmission rights across the season or competition. Other payments of programme costs made in advance or in arrears are recognized in the consolidated statement of financial position as prepayments, deposits and other current assets or accruals and other payables, as appropriate.

iii. Software

Costs incurred to acquire, develop or enhance scientific or technical knowledge, and design and implement new process or systems, licences and market knowledge are capitalized as intangible assets if they are identifiable and the Groups have power to obtain future economic benefits flowing from the underlying resource.

Development costs that are directly attributable to the design and testing of the identifiable software are capitalized as intangible assets if the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- adequate technical, financial and other resources are available to complete the development and to use the software;
- the costs attributable to acquisition, development and enhancement of the software can be reliably measured; and
- the Groups have power to obtain future economic benefits flowing from the underlying resource.

Development costs that do not meet the above criteria are expensed in the consolidated income statement as incurred.

Capitalized software costs are amortized on a straight-line basis over the estimated useful life of 8 to 10 years.

iv. Other intangible assets

Other intangible assets that are acquired by the Groups are stated in the consolidated statement of financial position at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 3(o)(ii)). Expenditures on internally generated goodwill and brands are recognized as expenses in the period in which they are incurred.

Amortization of intangible assets with finite useful lives is charged to the consolidated income statement on a straight-line basis over their estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

| | |
|---------------|---------------|
| Trademarks | 20 years |
| Customer base | 8 to 10 years |

The assets' useful lives and their amortization methods are reviewed annually.

k. Fulfillment costs

Direct costs incurred in fulfilling a contract with a customer, which mainly comprise setup and related costs in respect of the Groups' telecommunications and pay-TV services, are capitalized as an asset to the extent that the cost generates or enhances resources of the Groups that will be used in satisfying performance obligations in the future and are expected to be recovered. Fulfillment costs are amortized on a straight-line basis over the expected life of the customer contract.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

I. Customer acquisition costs

Incremental costs incurred to obtain a contract with a customer, which mainly comprise sales commission, are capitalized as customer acquisition costs if the Groups expect to recover those costs. Costs of obtaining a contract are amortized on a systematic basis over the expected life of the customer contract.

m. Contract assets/liabilities

Customer pays according to a pre-agreed payment schedule. If the performance obligations fulfilled by the Groups exceed the total non-refundable payments received and unconditional rights to contract consideration to date, a contract asset is recognized. If the total non-refundable payments received and unconditional rights to contract consideration to date exceed the performance obligation fulfilled, a contract liability is recognized. The contract assets are transferred to receivables when the Groups' rights to the contract consideration become unconditional.

Advances from customers represent refundable customer advances, please refer to note 3(u) for the accounting policies.

n. Investments in debt and equity securities

Classification

The Groups classify their investments in debt and equity securities, other than interests in subsidiaries, associates, and joint arrangements, as:

- those to be measured subsequently at fair value (at either fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVPL”)); and
- those to be measured at amortized cost.

The classification depends on the Groups' business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Groups have made an irrevocable election at the time of initial recognition to account for the equity instrument at FVOCI.

The Groups reclassify debt instruments when and only when their business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Groups commit to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Groups have transferred substantially all the risks and rewards of ownerships.

Initial measurement

At initial recognition, the Groups measure a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**n. Investments in debt and equity securities (continued)****Subsequent measurement****Debt instruments**

Subsequent measurement of debt instruments depends on the Groups' business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Groups classify their debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. A gain or loss on a debt instrument that is subsequently measured at amortized cost is recognized in the consolidated income statement when the asset is derecognized or impaired. Interest income from these financial assets is included in interest income using the effective interest method.
- FVOCI: Assets that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses, interest income using the effective interest method and foreign exchange gains and losses which are recognized in the consolidated income statement. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to the consolidated income statement and recognized in other gains/(losses), net.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognized and presented net in the consolidated income statement within other gains/(losses), net in the period in which it arises.

Equity instruments

The Groups subsequently measure all equity instruments at fair value. Where the Groups' management has made an irrevocable election at initial recognition to present fair value gains and losses on equity instruments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement following the derecognition of the investment, any balance within the financial assets at FVOCI reserve for these equity investments is reclassified to retained profits. Dividends from such investments continue to be recognized in the consolidated income statement as other gains/(losses), net when the Groups' right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses), net in the consolidated income statement as applicable.

Impairment losses (and reversal of impairment losses) on equity instruments measured at FVOCI are not reported separately from other changes in fair value.

o. Impairment of assets**i. Investments in debt instruments and trade and other receivables**

The Groups assess on forward-looking basis the expected credit losses associated with their debt instruments carried at amortized cost or FVOCI, and trade and other receivables carried at amortized cost.

For investments in debt instruments and other receivables, the Groups consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Groups compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available reasonable and supportive forward-looking information. Considerations may include:

- internal credit rating;
- external credit rating (as far as available);

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

o. Impairment of assets *(continued)*

i. Investments in debt instruments and trade and other receivables *(continued)*

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower; and
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of the borrower in the Groups and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is delinquent and in default status when there are unsettled amounts remaining on the account on the day after the invoice due date.

At each reporting date, the Groups measure the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition, the Groups measure the loss allowance for that financial asset at an amount equal to 12-month expected credit losses.

For trade receivables and contract assets, the Groups apply the simplified approach to providing for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. When measuring expected credit losses, the Groups consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and possibility that no credit loss occurs.

Financial assets are written off when there is no reasonable expectation of recovery. The Groups categorize a financial asset for write off when a debtor fails to make contractual payments for a period greater than predefined limit. Where loans or receivables have been written off, the Groups continue to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in the consolidated income statement.

ii. Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, 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;
- right-of-use assets;
- interests in leasehold land;
- fulfillment costs;
- customer acquisition costs;
- intangible assets;
- interests in associates and joint ventures; and
- goodwill.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**o. Impairment of assets (continued)****ii. Impairment of other assets (continued)**

If any such indication exists, the asset's recoverable amount is estimated. Impairment tests are performed for CGUs containing goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. Fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a CGU).

– Recognition of impairment losses

An impairment loss is recognized in the consolidated income statement whenever the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then, to reduce the carrying amount of the other assets in the CGU on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not allowed to be reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to the consolidated income statement in the period in which the reversals are recognized.

iii. Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Groups are required to prepare an interim financial report in compliance with HKAS 34 *Interim Financial Reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Groups apply the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 3(o)(i) and 3(o)(ii)).

Impairment losses recognized in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognized had the impairment been assessed only at the end of the financial year to which the interim period relates.

p. Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The gain or loss on remeasurement to fair value is recognized immediately in the consolidated income statement, except where the derivatives are designated and qualify for hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 3(q)).

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is 12 months or less than 12 months. Trading derivatives are classified as current assets or liabilities.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

q. Hedging

At inception of the hedge relationship, the Groups document the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Groups document their risk management objective and strategy for undertaking their hedge transactions.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the hedging reserve within equity. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated income statement, within finance costs.

When forward contracts are used to hedge forecast transactions, the Groups designate only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in the hedging reserve within equity. The change in the forward element is recognized in the consolidated income statement.

When cross currency swap contracts are used to hedge future cash flows, the Groups designate only the change in fair value of the swap contract after exclusion of the foreign currency basis spread component as the hedging instrument. Gains or losses relating to the effective portion of the swap contract after exclusion of foreign currency basis spread component are recognized in the hedging reserve within equity. The change in fair value of the foreign currency basis spread of the swap contract to the extent it relates to the hedged item is recognized in the costs of hedging reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects the consolidated income statement, as follows:

- The gain or loss relating to the effective portion of forward contracts is recognized in the consolidated income statement as the hedged item affects profit or loss.
- The gain or loss relating to the effective portion of the cross currency swap contracts hedging borrowings in foreign currency is recognized in the consolidated income statement within finance costs at the same time as the interest expense on the hedged borrowings.
- The gain or loss relating to the effective portion of the interest rate swap contracts hedging variable rate borrowings is recognized in the consolidated income statement within finance costs at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs and affects profit or loss. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the consolidated income statement.

Hedge ineffectiveness is recognized in the consolidated income statement within finance costs.

r. Inventories

Inventories consist of purchased parts and materials, finished goods and consumable inventories.

Purchased parts and materials and finished goods are carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumable inventories, held for use in the maintenance and expansion of the Groups' telecommunications systems, are stated at cost less provision for deterioration and obsolescence.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**s. Trade and other receivables**

Trade and other receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing component, when they are recognized at fair value. The Groups hold trade and other receivables with the objective to collect the contractual cash flows and therefore measure them subsequently at amortized cost using the effective interest method, less loss allowance for expected credit losses (see note 3(o)(i)).

t. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions (other than restricted cash), and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition and form an integral part of the Groups' cash management.

u. Trade and other payables

Trade payables, advances from customers and other payables are initially recognized at fair value and subsequently stated at amortized cost using the effective interest method.

v. Borrowings

Borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortized cost with any difference between the amount initially recognized, being the proceeds net of transaction costs, and the redemption value being recognized in the consolidated income statement over the period of the borrowings, using the effective interest method.

w. Provisions and contingent liabilities

Provisions are recognized when (i) the Groups have a present legal or constructive obligation arising as a result of a past event; (ii) it is probable that an outflow of economic benefits will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. The increase in provision due to the passage of time is recognized as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

x. Revenue recognition

The Groups' revenue is primarily earned from the following business units (i) Telecommunications and (ii) Pay TV.

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Groups' activities. Revenue is recognized when the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or services may be transferred over time or at a point in time.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

x. Revenue recognition (continued)

The Groups often enter into bundled sale contracts with customers in which, apart from the provision of telecommunications, media entertainment, and other services, the Groups have certain other performance obligations to customers such as the delivery of handsets, equipment, gifts and reward points from the Groups' customer loyalty programme offering a variety of goods and services ("Reward Points"). When multiple-element arrangements exist, the total transaction price receivable from customers is allocated among the Groups' performance obligations on a relative stand-alone selling price basis. Management estimates the stand-alone selling price at contract inception mainly based on observable retail prices and observable market data of the respective performance obligations in similar circumstances to similar customers. If a bundled discount is granted, it is allocated to respective performance obligations based on their relative stand-alone selling prices. The costs of respective handsets, equipment and gifts delivered are recognized as cost of sales when the corresponding revenue is recognized.

A financing component, if any, might exist when timing of the payment for goods or services by the customers, differs from the timing of satisfaction of the performance obligation. Such financing component is not significant to the Groups.

i. Telecommunications

Telecommunications services comprise local telephony, local data and broadband, international telecommunications, mobile, enterprise solutions, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centers.

Local telephony, local data and broadband, international telecommunications and mobile businesses earn revenue primarily by providing access to and usage of the telecommunications network locally and internationally. As part of the bundled service offerings, the Groups also deliver handsets, equipment, gifts and Reward Points, which are considered as separate performance obligations.

For the telecommunications services, revenue is recognized over time as the customer simultaneously receives and consumes the benefits provided by the Groups' performance as the Groups perform and is based on the output method, either as the service allowance units are used or as time elapses, because it reflects the pattern by which the Groups satisfy the performance obligation through the transfer of services to the customer. For service plan based on usage, where monthly usage exceeds the allowance, the overage usage represents options held by the customer for incremental services and the usage-based fee is recognized when the customer exercises the option. Income from other telecommunications services are recognized when services are rendered. Customers are invoiced in advance on a monthly basis or invoiced according to the pre-agreed payment schedule as set out in the customer contracts.

For the sales of the handsets, equipment and gifts, revenue is generally recognized when control passes to the customer, being when the products are delivered to and accepted by the customer. The customer has full discretion over the handsets, equipment and gifts and there are no unfulfilled obligations that can affect the customer's acceptance of those goods. Customers are invoiced immediately or invoiced according to the pre-agreed payment schedule as set out in the customer contracts.

When the Reward Points are awarded to the members, such revenue at their relative stand-alone selling price is deferred as a liability until the Reward Points are redeemed. Breakage, referring to Reward Points that are expected to expire, is recognized and determined based on assumptions such as historical experience, future redemption pattern and programme design.

Revenue from enterprise solutions services is recognized over time as the Groups' performance creates or enhances an asset that the customer controls as the asset is created or enhanced. Input method is used to measure the progress as it depicts the Groups' performance in transferring the control of the asset. The progress is measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract. When the outcome of a contract cannot be estimated reliably, revenue is recognized only to the extent that it is probable the contract costs incurred will be recoverable. Customers make settlement periodically throughout the contract period according to the pre-agreed payment schedule. Accumulated experience is used to estimate the variable consideration to the extent that it is highly probable that a significant reversal will not occur, using the expected value method, to be included in the transaction price.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**x. Revenue recognition (continued)****ii. Pay TV**

Pay TV includes interactive pay-TV services in Hong Kong.

Subscription income from the interactive pay-TV services is recognized ratably over the contract period which generally coincides with when the services are rendered.

Advertising income from interactive pay-TV services is recognized (i) when the advertisements are telecast on pay-TV, delivered through internet and mobile platforms; or (ii) ratably over the contractual display period of the contract when the advertisements are placed on the Groups' website and mobile platforms.

Customers are invoiced in advance on a monthly basis or invoiced according to the pre-agreed payment schedule as set out in the customer contracts.

y. Interest income

Interest income is recognized on a time-apportioned basis using the effective interest method.

z. Dividend income

Dividend income is recognized when the shareholder's right to receive payment is established.

aa. Borrowing costs

Borrowing costs are expensed in the consolidated income statement in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Discounts or premiums relating to borrowings, and ancillary costs incurred in connection with arranging borrowings, to the extent that they are regarded as adjustments to interest costs, are recognized as expenses over the period of the borrowing using the effective interest method.

ab. Cost of sales and general and administrative expenses

General and administrative expenses represent operating costs incurred other than cost of sales. Cost of sales mainly includes cost of inventories sold, connectivity costs and staff costs relating to sales; while general and administrative expenses mainly include depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of land lease premium, amortization of intangible assets, amortization of fulfillment costs, amortization of customer acquisition costs, impairment loss for trade receivables and other staff costs.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

ac. Income tax

- i. Income tax for the year comprises current income tax and movements in deferred income tax assets and liabilities. Current income tax and movements in deferred income tax assets and liabilities are recognized in the consolidated income statement except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts are recognized in other comprehensive income or directly in equity, respectively.
- ii. Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to income tax payable in respect of previous years.
- iii. Deferred income tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases. Deferred income tax assets also arise from unused tax losses and unused tax credits.

All deferred income tax liabilities, and all deferred income tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred income tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred income tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred income tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The amount of deferred income tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized and the deferred income tax liability is settled. Deferred income tax assets and liabilities are not discounted.

The carrying amount of a deferred income tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

- iv. Current income tax balances and deferred income tax balances, and movements therein, are presented separately from each other and are not offset. Current income tax assets are offset against current income tax liabilities, and deferred income tax assets against deferred income tax liabilities, if the Groups have the legally enforceable right to set off current income tax assets against current income tax liabilities and the following additional conditions are met:
 - in the case of current income tax assets and liabilities, the Groups intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
 - in the case of deferred income tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered, intend to realize the current income tax assets and settle the current income tax liabilities on a net basis or realize and settle simultaneously.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

ad. Employee benefits

i. Short-term employee benefits

Salaries, annual bonuses, annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii. Retirement benefits

The Groups operate defined contribution retirement schemes (including the Mandatory Provident Fund) for their employees, the assets of which are generally held in separate trustee-administered funds. The schemes are generally funded by contributions from the relevant companies in the Groups.

For defined contribution retirement schemes, the Groups pay contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Groups have no further payment obligations once the contributions have been paid.

The Groups' contributions to the defined contribution retirement schemes are recognized as an expense in the consolidated income statement in the period to which the contributions relate.

iii. Share-based payments

PCCW and the Groups operate share option schemes where employees of the Groups (and including directors) are granted options to acquire shares of PCCW (the "PCCW Shares") and Share Stapled Units at specified exercise prices. The fair value of the employee services received in exchange for the grant of options to acquire PCCW Shares and Share Stapled Units is recognized as staff costs in the consolidated income statement with a corresponding increase in a capital contribution from members in respect of employee share-based compensation under equity and an employee share-based compensation reserve respectively. The fair value of the options granted is measured at grant date using the trinomial option pricing model, taking into account the terms and conditions upon which the options were granted, and spread over the respective vesting period during which the employees become unconditionally entitled to the options. During the vesting period, the number of options that are expected to vest is reviewed. Any adjustment to the cumulative fair value recognized in prior years regarding the options to acquire PCCW Shares and options to acquire Share Stapled Units is charged or credited in the consolidated income statement for the year of the review, unless the original staff costs qualify for recognition as an asset, with a corresponding adjustment to the capital contribution from members in respect of employee share-based compensation under equity and the employee share-based compensation reserve respectively. On vesting date, the amount recognized as staff costs regarding the options to acquire PCCW Shares and options to acquire Share Stapled Units is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital contribution from members in respect of employee share-based compensation under equity and the employee share-based compensation reserve respectively). The equity amount regarding the options to acquire PCCW Shares remains in the capital contribution from members in respect of employee share-based compensation under equity. The equity amount regarding the options to acquire Share Stapled Units is recognized in the employee share-based compensation reserve until either the options are exercised (when it is transferred to the share capital and share premium account) or the options expire (when it is released directly to retained profits).

Share Stapled Units may be granted to employees at nil consideration under the Company's Share Stapled Units award schemes, under which the awarded Share Stapled Units are either newly issued at issue price (the "HKT Share Stapled Units Subscription Scheme") or purchased from the open market (the "HKT Share Stapled Units Purchase Scheme").

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

ad. Employee benefits (continued)

iii. Share-based payments (continued)

The cost of Share Stapled Units purchased from the open market under the HKT Share Stapled Units Purchase Scheme and the issue price of newly issued Share Stapled Units under the HKT Share Stapled Units Subscription Scheme are recognized in equity as treasury stock. The fair value of the employee services received in exchange for the grant of Share Stapled Units under both schemes is recognized as staff costs in the consolidated income statement with a corresponding increase in an employee share-based compensation reserve under equity. The fair value of the awarded Share Stapled Units is measured by the quoted market price of the Share Stapled Units at grant date and is charged to the consolidated income statement over the respective vesting period. During the vesting period, the number of awarded Share Stapled Units that are expected to vest is reviewed. Any adjustment to the cumulative fair value recognized in prior years is charged or credited in the consolidated income statement for the year of the review, unless the original staff costs qualify for recognition as an asset, with a corresponding adjustment to the employee share-based compensation reserve. On vesting date, the amount recognized as staff costs is adjusted to reflect the actual number of awarded Share Stapled Units that vest (with a corresponding adjustment to the employee share-based compensation reserve) and the cost of awarded Share Stapled Units recognized as treasury stock is transferred to the employee share-based compensation reserve with the difference recognized in equity.

PCCW also grants PCCW Shares to employees of PCCW and its participating companies at nil consideration under its share award schemes, under which the awarded PCCW Shares are either newly issued at issue price (the “PCCW Subscription Scheme”) or purchased from the open market (the “PCCW Purchase Scheme”).

Awards under the PCCW Purchase Scheme and the PCCW Subscription Scheme are accounted for as cash-settled share-based payments. The fair value of the awarded PCCW Shares represents the quoted market price of PCCW Shares purchased from the open market under the PCCW Purchase Scheme and the issue price of PCCW Shares under the PCCW Subscription Scheme is recognized as financial assets at FVPL, and subsequently measured at fair value. The fair value of the employee services received in exchange for the grant of PCCW Shares is recognized as staff costs in the consolidated income statement over the respective vesting period with a corresponding obligation being recognized. During the vesting period, the number of awarded PCCW Shares that are expected to vest is reviewed. Any adjustment to the cumulative fair value recognized in prior years is charged or credited in the consolidated income statement for the year of the review, unless the original staff costs qualify for recognition as an asset, with a corresponding adjustment to the obligation. On vesting date, the amount recognized as staff costs is adjusted to reflect the actual number of awarded PCCW Shares that vest (with a corresponding adjustment to the obligation) and the carrying amount of awarded PCCW Shares recognized in the financial assets at FVPL is offset with the obligation.

iv. Termination benefits

Termination benefits are recognized only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the number of employees affected, or individual employees have been advised of the specific terms.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

ae. Translation of foreign currencies

Items included in the financial statements of each of the Groups' entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The HKT Trust and HKT Limited consolidated financial statements are presented in Hong Kong dollars (HK\$), which is the functional currency of HKT Trust and HKT Limited and presentation currency of the Groups.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in the consolidated income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates when the fair values are determined. Exchange differences arising on translation of non-monetary assets and liabilities, such as equity instruments at FVPL, are reported as part of the fair value gain or loss in the consolidated income statement. Exchange differences arising on translation of non-monetary assets and liabilities, such as equity instruments measured at FVOCI, are included in the fair value gain or loss in the financial assets at FVOCI reserve under equity.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Items of foreign operations in the consolidated statement of financial position, including goodwill arising on consolidation of foreign operations, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in the currency translation reserve under equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, if any, are taken to other comprehensive income and accumulated separately in the currency translation reserve under equity. On disposal of a foreign operation, the cumulative amount of the exchange differences recognized in the currency translation reserve under equity which relates to that foreign operation is included in the calculation of the profit or loss on disposal.

3 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

af. Related parties

For the purposes of the HKT Trust and HKT Limited consolidated financial statements, a party is considered to be related to the Groups if:

- i. the party has the ability, directly or indirectly through one or more intermediaries, to control the Groups or exercise significant influence over the Groups in making financial and operating policy decisions, or has joint control over the Groups;
- ii. the Groups and the party are subject to common control;
- iii. the party is an associate of the Groups or a joint venture in which the Groups are venturers;
- iv. the party is a member of key management personnel of the Groups or the Groups' parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individual;
- v. the party is a close family member of a party referred to in note i above or is an entity under the control, joint control or significant influence of such party;
- vi. the party is a post-employment benefit plan which is for the benefit of employees of the Groups or of any entity that is a related party of the Groups; or
- vii. the entity, or any member of the Groups of which it is a part, provides key management personnel services to the Groups.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

ag. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the "CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Groups' senior executive management.

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. 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. Inter-segment transactions are eliminated in full in preparing the HKT Trust and HKT Limited consolidated financial statements.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (including property, plant and equipment and interests in leasehold land) that are expected to be used for more than one year.

ah. Distribution/dividend to the holders of Share Stapled Units/shares of the Company

Distribution/dividend to the holders of Share Stapled Units/shares of the Company is recognized as a liability in the HKT Trust and HKT Limited consolidated financial statements and the Company's financial statements in the period in which the distribution/dividend is approved by the Boards or holders of Share Stapled Units/shares of the Company, where appropriate.

ai. Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Groups will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. The Groups netted off government grants relating to employee benefits with staff cost in cost of sales and general and administrative expenses that are not capitalized. Government grants relating to capitalized staff cost are directly deducted from the carrying amount of the respective assets recognized and credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 Groups make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Notes 19 and 37 contain information about the assumptions and their risk factors relating to goodwill impairment and financial instruments. Management has also made judgements in applying the Groups' accounting policies. These judgements and other key sources of estimation uncertainty are discussed below:

i. Impairment of assets (other than investments in debt instruments and trade and other receivables)

At the end of each reporting period, the Groups review 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;
- right-of-use assets;
- interests in leasehold land;
- fulfillment costs;
- customer acquisition costs;
- intangible assets;
- interests in associates and joint ventures; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. Impairment tests are performed for CGUs containing goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives annually whether or not there is any indication of impairment. Significant judgement is used to identify CGUs appropriately. An impairment loss is recognized in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The sources utilized to identify indications of impairment are often subjective in nature and the Groups are required to use judgement in applying such information to their business. The Groups' interpretation of this information has a direct impact on whether an impairment assessment is performed as at the end of any given reporting period. Such information is particularly significant as it relates to the Groups' 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 Groups to estimate the recoverable amount, representing the greater of the asset's fair value less costs of disposal or its value in use. Depending on the Groups' assessment of the overall materiality of the asset under review and complexity of deriving a reasonable estimate of the recoverable amount, the Groups may perform such assessments utilizing internal resources or the Groups may engage external advisors to counsel the Groups. Regardless of the resources utilized, the Groups are required to make many assumptions to make these assessments, including the utilization of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable amount of any asset.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

ii. Revenue recognition

Under certain arrangements, apart from the provision of telecommunications, media entertainment, and other services, the Groups have certain other performance obligations to customers such as the delivery of handsets, equipment, gifts and Reward Points. When multiple-element arrangements exist, the total transaction price receivable from customers is allocated among the Groups' performance obligations on a relative stand-alone selling price basis. Management estimates the stand-alone selling price at contract inception mainly based on observable retail prices and observable market data of the respective performance obligations in similar circumstances to similar customers. If a bundled discount is granted, it is allocated to respective performance obligations based on their relative stand-alone selling prices. The Groups are required to exercise considerable judgement in relation to estimating the stand-alone selling price.

iii. Deferred income tax

While deferred income tax liabilities are provided in full on all taxable temporary differences, deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. In assessing the amount of deferred income tax assets that need to be recognized, the Groups consider future taxable income and business plans. In the event that the Groups' estimates of projected future taxable income and benefits from available business plans are changed, or changes in current income tax regulations are enacted that would impact the timing or extent of the Groups' ability to utilize the tax benefits of net operating loss carry-forwards in the future, adjustments to the recorded amount of net deferred income tax assets and income tax expense would be made.

iv. Current income tax

The Groups make a provision for current income tax based on estimated taxable income for the year. The estimated income tax liabilities are primarily computed based on the tax computations as prepared by the Groups. Nevertheless, from time to time, there are queries raised by the tax authorities of Hong Kong and elsewhere on the tax treatment of items included in the tax computations and certain non-routine transactions. If the Groups consider it probable that these queries or judgements will result in different tax positions, the most likely amounts of the outcome will be estimated and adjustments to the income tax expense and income tax liabilities will be made accordingly.

v. Lives of property, plant and equipment, intangible assets (other than goodwill), fulfillment costs and customer acquisition costs

The Groups have significant property, plant and equipment, intangible assets (other than goodwill), fulfillment costs and customer acquisition costs. The Groups are required to estimate the lives of property, plant and equipment, intangible assets (other than goodwill), fulfillment costs and customer acquisition costs in order to ascertain the amount of depreciation and amortization charges for each reporting period.

The lives are estimated at the time of purchase of these assets or direct costs incurred in fulfilling or acquiring a contract with a customer after considering future technology changes, business developments, the Groups' strategies and expected lives of customer contracts. The Groups perform annual reviews to assess the appropriateness of the estimated lives. Such reviews take into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry or economic trends and rapid advancements in technology. The Groups extend or shorten the lives according to the results of the reviews.

vi. Lease term and discount rate determination

In determining the lease term, management considers facts and circumstances such as conditions of the Groups' existing leases, future technology changes, business developments and the Groups' strategies, that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows are not included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. As at December 31, 2021, potential future undiscounted cash outflows of HK\$653 million (2020: HK\$570 million) have not been included in the lease liabilities because it is not reasonably certain that the lease will be extended (or not terminated).

In determining the discount rate, the Groups are required to exercise considerable judgement by taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the lease modification (if any).

December 31, 2021

5 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| In HK\$ million | Note | 2020 | 2021 |
|-------------------------------|-------|--------|---------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Interests in subsidiaries | | 30,517 | 30,820 |
| | | 30,517 | 30,820 |
| Current assets | | | |
| Prepayments and deposits | | 4 | 6 |
| Amounts due from subsidiaries | | 5,074 | 4,509 |
| Tax recoverable | | 4 | 8 |
| | | 5,082 | 4,523 |
| Current liabilities | | | |
| Accruals and other payables | | (3) | (3) |
| Amounts due to subsidiaries | | (158) | (158) |
| | | (161) | (161) |
| Net assets | | 35,438 | 35,182 |
| CAPITAL AND RESERVES | | | |
| Share capital | 31(a) | 8 | 8 |
| Reserves | 31(b) | 35,430 | 35,174 |
| Total equity | | 35,438 | 35,182 |

Approved and authorized for issue by the board of directors of the Company on February 24, 2022 and signed on behalf of the board of directors of the Company by

Li Tzar Kai, Richard
Director

Hui Hon Hing, Susanna
Director

6 RELATED PARTY TRANSACTIONS

PCCW is the controlling holder of Share Stapled Units. CAS Holding No. 1 Limited and PCCW are the immediate and ultimate holding companies of the Company respectively.

During the year, the Groups had the following significant transactions with related parties:

| In HK\$ million | Note | 2020 | 2021 |
|--|------|-------|-------|
| Telecommunications service fees and data center service fees received or receivable from a substantial shareholder of PCCW | a | 77 | 130 |
| Telecommunications service fees and data center service fees paid or payable to a substantial shareholder of PCCW | a | 101 | 105 |
| Telecommunications service fees, consultancy service charges and interest income received or receivable from joint ventures | a | 36 | 32 |
| Telecommunications service fees, equipment purchase costs, outsourcing fees, rental charges and interest expense paid or payable to joint ventures | a | 241 | 282 |
| Telecommunications service fees, connectivity service fees, interest income, contact center service charges, equipment sales, consultancy service charges and other costs recharge received or receivable from associates | a | 20 | 23 |
| Telecommunications service fees, data center service fees, connectivity service fees, equipment sales, insurance premium, insurance agency service charges, advertising fees, and other costs recharge received or receivable from related parties under a common holder of Share Stapled Units/shareholder with the Company | a | 47 | 55 |
| Insurance premium and other costs recharge paid or payable to related parties under a common holder of Share Stapled Units/shareholder with the Company | a | 8 | 105 |
| Telecommunications service fees, connectivity service fees, management fee, equipment sales, content provision fees and other costs recharge received or receivable from fellow subsidiaries | a | 2,043 | 2,148 |
| Telecommunications service fees, IT and logistics charges, system development and integration charges, consultancy service charges, rental and facilities management charges, management fee, content provision fees and other costs recharge paid or payable to fellow subsidiaries | a | 2,421 | 1,449 |
| Key management compensation | b | 27 | 29 |

a. The above transactions were carried out after negotiations between the Groups and the related parties in the ordinary course of business and on the basis of estimated market value as determined by the directors. In respect of transactions for which the price or volume has not yet been agreed with the relevant related parties, the directors have determined the relevant amounts based on their best estimation.

b. Details of key management compensation

| In HK\$ million | 2020 | 2021 |
|---|------|------|
| Salaries and other short-term employee benefits | 20 | 22 |
| Share-based compensation | 6 | 6 |
| Post-employment benefits | 1 | 1 |
| | 27 | 29 |

c. Balances with related companies and a fellow subsidiary

As at December 31, 2021, other than as specified in notes 21 and 22 and the amount due to a related company which comprised an unsecured loan of HK\$65 million which bears interest at 2.5% per annum and is repayable within 1 year, the amount due to a fellow subsidiary and the other amounts due from related companies are unsecured, non-interest bearing, and have no fixed repayment terms.

As at December 31, 2020, other than as specified in notes 21 and 22 and the amount due to a related company which comprised an unsecured loan of HK\$24 million and an unsecured loan of HK\$18 million which bears interest at 2.5% per annum and 5% per annum respectively and are repayable within 1 year, the amount due to a fellow subsidiary and the other amounts due from related companies are unsecured, non-interest bearing, and have no fixed repayment terms.

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7 SEGMENT INFORMATION

The CODM is the Groups' senior executive management. The CODM reviews the Groups' 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:

- Telecommunications Services ("TSS") is the leading provider of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, 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.
- Mobile includes the Groups' mobile telecommunications businesses in Hong Kong.
- Pay TV includes interactive pay-TV services in Hong Kong.
- Other businesses of the Groups ("Other Businesses") primarily comprises new business areas such as The Club and HKT Financial Services, and corporate support functions.

The CODM assesses the performance of the operating segments based on a measure of adjusted earnings before interest, tax, depreciation and amortization ("EBITDA"). EBITDA represents earnings before interest income, finance costs, income tax, depreciation and amortization, gains/losses on disposal of property, plant and equipment, 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 Groups' share of results of associates and joint ventures.

Segment revenue, expense and segment performance include transactions between segments. Inter-segment pricing is based on similar terms 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 Groups' reportable segments as provided to the Groups' CODM is set out below:

| In HK\$ million | 2020 | | | | | Eliminations | Consolidated |
|--|---------------|---------------|------------|---------------------|----------------|--------------|---------------|
| | TSS | Mobile | Pay TV | Other Businesses | | | |
| Revenue | | | | | | | |
| External revenue | 21,608 | 10,006 | 418 | 357 | – | | 32,389 |
| Inter-segment revenue | 749 | 360 | 229 | 8 | (1,346) | | – |
| Total revenue | 22,357 | 10,366 | 647 | 365 | (1,346) | | 32,389 |
| External revenue from contracts with customers: | | | | | | | |
| Timing of revenue recognition | | | | | | | |
| At a point in time | 2,672 | 2,395 | 9 | 185 | – | | 5,261 |
| Over time | 18,868 | 7,611 | 409 | 161 | – | | 27,049 |
| External revenue from other sources: | | | | | | | |
| Rental income | 68 | – | – | 11 | – | | 79 |
| | 21,608 | 10,006 | 418 | 357 | – | | 32,389 |
| Results | | | | | | | |
| EBITDA | 8,412 | 4,747 | 174 | (806) | – | | 12,527 |
| Other information | | | | | | | |
| Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred during the year | 1,419 | 875 | 31 | 112 | – | | 2,437 |

7 SEGMENT INFORMATION (CONTINUED)

Information regarding the Groups' reportable segments as provided to the Groups' CODM is set out below: (continued)

| In HK\$ million | 2021 | | | | | Consolidated |
|--|---------------|---------------|--------------|---------------------|----------------|---------------|
| | TSS | Mobile | Pay TV | Other Businesses | Eliminations | |
| Revenue | | | | | | |
| External revenue | 20,708 | 10,838 | 1,551 | 864 | – | 33,961 |
| Inter-segment revenue | 1,104 | 910 | 905 | 8 | (2,927) | – |
| Total revenue | 21,812 | 11,748 | 2,456 | 872 | (2,927) | 33,961 |
| External revenue from contracts with customers: | | | | | | |
| Timing of revenue recognition | | | | | | |
| At a point in time | 2,855 | 3,367 | 17 | 667 | – | 6,906 |
| Over time | 17,798 | 7,471 | 1,534 | 197 | – | 27,000 |
| External revenue from other sources: | | | | | | |
| Rental income | 55 | – | – | – | – | 55 |
| | 20,708 | 10,838 | 1,551 | 864 | – | 33,961 |
| Results | | | | | | |
| EBITDA | 8,468 | 4,780 | 481 | (996) | – | 12,733 |
| Other information | | | | | | |
| Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred during the year | 1,314 | 879 | 121 | 144 | – | 2,458 |

Commencing from January 1, 2021, the CODM assesses the business of The Club separately from the reportable segments other than “Other Businesses”, and revenue of other reportable segments generated through the e-commerce platform of The Club are included in the segment of “Other Businesses” together with the corresponding cost of sales. To conform with the current year’s presentation, relevant revenue of HK\$124 million is reclassified to “Other Businesses” for the year ended December 31, 2020 with no impact on EBITDA.

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

| In HK\$ million | 2020 | 2021 |
|---|--------------|--------------|
| Total segment EBITDA | 12,527 | 12,733 |
| Gains on disposal of property, plant and equipment and right-of-use assets, net | 2 | 24 |
| Depreciation and amortization | (5,341) | (5,652) |
| Other gains/(losses), net | 361 | (8) |
| Finance costs, net | (1,296) | (1,148) |
| Share of results of associates | (68) | (115) |
| Share of results of joint ventures | (11) | (15) |
| Profit before income tax | 6,174 | 5,819 |

December 31, 2021

7 SEGMENT INFORMATION (CONTINUED)

The following table sets out information about the geographical location of the Groups' revenue from external customers. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location that the Groups derive revenue from customers.

| In HK\$ million | 2020 | 2021 |
|-----------------------------------|--------|---------------|
| Hong Kong (place of domicile) | 27,024 | 28,303 |
| Mainland and other parts of China | 942 | 1,166 |
| Others | 4,423 | 4,492 |
| | 32,389 | 33,961 |

As at December 31, 2021, the total of non-current assets, other than financial instruments and deferred income tax assets, located in Hong Kong was HK\$94,304 million (2020: HK\$88,937 million), and the total of these non-current assets located in other geographical locations was HK\$3,012 million (2020: HK\$2,957 million).

8 REVENUE

| In HK\$ million | 2020 | 2021 |
|---|--------|---------------|
| Revenue from contracts with customers | 32,310 | 33,906 |
| Revenue from other sources: rental income | 79 | 55 |
| | 32,389 | 33,961 |

a. Revenue recognition in relation to contract liabilities

| In HK\$ million | 2020 | 2021 |
|---|-------|--------------|
| Revenue recognized that was included in the contract liability balance at the beginning of the year | 1,361 | 1,423 |

b. Unsatisfied long-term fixed-price contracts

| In HK\$ million | 2020 | 2021 |
|---|--------|---------------|
| Aggregate amount of the transaction price allocated to long-term fixed-price contracts that are partially or fully unsatisfied as at December 31, | 18,670 | 20,107 |

As at December 31, 2021, management expected that 57% and 24% (2020: 58% and 25%) 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 19% (2020: 17%) would be recognized as revenue in the periods afterwards. The amount disclosed above does not include unsatisfied performance obligation that is related to the Groups' contracts with customers with duration of one year or less and contracts with customers billed directly according to performance completed to date.

9 OTHER GAINS/(LOSSES), NET

| In HK\$ million | 2020 | 2021 |
|---|-------|------|
| Negative goodwill on acquisition of subsidiaries (<i>note 41(a)(i)</i>) | 692 | – |
| Write-off of intangible assets (<i>note 20</i>) | (302) | – |
| Loss on disposal of subsidiaries, net | (35) | – |
| Others | 6 | (8) |
| | 361 | (8) |

10 PROFIT BEFORE INCOME TAX

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

a. Staff costs

| In HK\$ million | 2020 | 2021 |
|--|-------|-------|
| Salaries, bonuses and other benefits | 1,803 | 2,398 |
| Share-based compensation expenses | 39 | 33 |
| Retirement costs for staff under defined contribution retirement schemes | 296 | 320 |
| | 2,138 | 2,751 |
| Less: staff costs included in cost of sales | (733) | (748) |
| | 1,405 | 2,003 |

b. Cost of sales

| In HK\$ million | 2020 | 2021 |
|---|--------|--------|
| Cost of inventories sold | 5,130 | 6,648 |
| Connectivity costs | 6,741 | 6,201 |
| Staff costs | 733 | 748 |
| Write-back of provision for inventory obsolescence, net | (16) | (8) |
| Others | 3,115 | 3,140 |
| | 15,703 | 16,729 |

December 31, 2021

10 PROFIT BEFORE INCOME TAX (CONTINUED)

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

c. General and administrative expenses

| In HK\$ million | 2020 | 2021 |
|---|-------|---------------|
| Staff costs | 1,405 | 2,003 |
| Impairment loss for trade receivables | 256 | 174 |
| Depreciation of property, plant and equipment | 1,118 | 1,234 |
| Depreciation of right-of-use assets – land and buildings | 1,302 | 1,338 |
| Depreciation of right-of-use assets – network capacity and equipment | 175 | 139 |
| Amortization of land lease premium – interests in leasehold land | 13 | 13 |
| Amortization of intangible assets | 1,327 | 1,500 |
| Amortization of fulfillment costs | 481 | 393 |
| Amortization of customer acquisition costs | 925 | 1,035 |
| Exchange losses/(gains), net | 107 | (15) |
| Less: cash flow hedges: transfer from equity | (73) | 26 |
| Gains on disposal of property, plant and equipment and right-of-use assets, net | (2) | (24) |
| Remuneration to the Company's auditor | | |
| – audit and audit related services | 16 | 15 |
| – non-audit services | 3 | 3 |
| Remuneration to other auditors | | |
| – audit and audit related services | 7 | 7 |
| – non-audit services | 1 | 1 |
| Others | 2,437 | 2,285 |
| | 9,498 | 10,127 |

During the year ended December 31, 2020, the Groups have recognized in the consolidated income statement a subsidy of HK\$365 million from the Employment Support Scheme introduced by the Government of Hong Kong.

11 FINANCE COSTS, NET

| In HK\$ million | 2020 | 2021 |
|---|---------|----------------|
| Interest expense, excluding interest expense on lease liabilities | (1,314) | (1,195) |
| Interest expense on lease liabilities | (86) | (76) |
| Notional accretion on carrier licence fee liabilities | (36) | (64) |
| Other finance costs | (4) | (7) |
| Hedge ineffectiveness: cross currency swap contracts and foreign exchange forward contracts | | |
| – cash flow hedges for foreign currency risk | 4 | 24 |
| Hedge ineffectiveness: interest rate swap contracts – cash flow hedges for interest rate risk | (2) | 4 |
| Cash flow hedges: transfer from equity | 9 | 18 |
| Unwind of interest rate swap contracts | – | 39 |
| Impact of re-designation of fair value hedges | (16) | (16) |
| | (1,445) | (1,273) |
| Interest capitalized in property, plant and equipment and intangible assets (<i>note a</i>) | 105 | 92 |
| Total finance costs | (1,340) | (1,181) |
| Interest income | 37 | 25 |
| Interest income from net investment in leases | 7 | 8 |
| Total interest income | 44 | 33 |
| Finance costs, net | (1,296) | (1,148) |

a. The capitalization rate used to determine the amount of interest eligible for capitalization in property, plant and equipment and intangible assets ranged from 2.87% to 3.08% for the year ended December 31, 2021 (2020: from 2.88% to 3.49%).

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12 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

Details of directors' emoluments are set out below:

a. Directors' emoluments – cash and cash equivalents paid/payable

| In HK\$ million | 2020 | | | | | | | Total |
|--|-------------------|----------|------------|-------------------------------|----------------------|---------------------------------|---------------------------------------|-------|
| | Directors' fees | Salaries | Allowances | Benefits in kind ¹ | Bonuses ² | Retirement scheme contributions | Share-based compensation ³ | |
| Executive directors | | | | | | | | |
| Li Tzar Kai, Richard | – | – | – | – | – | – | – | – |
| Hui Hon Hing, Susanna | – | 4.69 | 4.69 | 0.05 | 5.56 | 0.56 | 5.54 | 21.09 |
| Non-executive directors | | | | | | | | |
| Srinivas Bangalore Gangaiah | – | – | – | – | – | – | – | – |
| Peter Anthony Allen | – | – | – | – | – | – | – | – |
| Chung Cho Yee, Mico | 0.25 | – | – | – | – | – | – | 0.25 |
| Li Fushen | 0.25 ⁴ | – | – | – | – | – | – | 0.25 |
| Zhu Kebing | 0.25 ⁵ | – | – | – | – | – | – | 0.25 |
| Independent non-executive directors | | | | | | | | |
| Professor Chang Hsin Kang | 0.25 | – | – | – | – | – | – | 0.25 |
| Sunil Varma | 0.37 ⁶ | – | – | – | – | – | – | 0.37 |
| Aman Mehta | 0.37 ⁷ | – | – | – | – | – | – | 0.37 |
| Frances Waikwun Wong | 0.37 ⁸ | – | – | – | – | – | – | 0.37 |
| | 2.11 | 4.69 | 4.69 | 0.05 | 5.56 | 0.56 | 5.54 | 23.20 |

Notes:

- Benefits in kind mainly includes medical insurance premium.
- Bonus amount shown above represents the 2019 bonuses that were paid in 2020. It was determined by reference to the Groups and the individual performance during the year ended December 31, 2019.
- Share-based compensation amount shown above represents the aggregate fair values at the respective award dates of the PCCW Shares and Share Stapled Units vested in 2020 for the director under the share award schemes.
- Fee receivable as a non-executive director in 2020 was surrendered to a subsidiary of China United Network Communications Group Company Limited in accordance with an arrangement between Mr. Li Fushen and China United Network Communications Group Company Limited.
- Fee receivable as a non-executive director in 2020 was surrendered to a subsidiary of China United Network Communications Group Company Limited in accordance with an arrangement between Mr. Zhu Kebing and China United Network Communications Group Company Limited.
- Includes HK\$124,400 fee as Chairman of Audit Committee.
- Includes HK\$124,400 fee as Chairman of Nomination Committee.
- Includes HK\$124,400 fee as Chairwoman of Remuneration Committee.

12 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (CONTINUED)

Details of directors' emoluments are set out below: (continued)

a. Directors' emoluments – cash and cash equivalents paid/payable (continued)

| In HK\$ million | 2021 | | | | | | | |
|--|--------------------|-------------|-------------|-------------------------------|----------------------|---------------------------------|---------------------------------------|---------------|
| | Directors' fees | Salaries | Allowances | Benefits in kind ¹ | Bonuses ² | Retirement scheme contributions | Share-based compensation ³ | Total |
| Executive directors | | | | | | | | |
| Li Tzar Kai, Richard | - | - | - | - | - | - | - | - |
| Hui Hon Hing, Susanna | - | 4.69 | 4.69 | 0.05 | 7.11 | 0.56 | 5.73 | 22.83 |
| Non-executive directors | | | | | | | | |
| Srinivas Bangalore Gangaiah | - | - | - | - | - | - | - | - |
| Peter Anthony Allen | - | - | - | - | - | - | - | - |
| Chung Cho Yee, Mico | 0.25 | - | - | - | - | - | - | 0.25 |
| Li Fushen ⁴ | 0.24 ⁵ | - | - | - | - | - | - | 0.24 |
| Zhu Keping ⁴ | 0.24 ⁶ | - | - | - | - | - | - | 0.24 |
| Mai Yanzhou ⁷ | 0.002 ⁸ | - | - | - | - | - | - | 0.002 |
| Wang Fang ⁷ | 0.002 ⁹ | - | - | - | - | - | - | 0.002 |
| Independent non-executive directors | | | | | | | | |
| Professor Chang Hsin Kang | 0.25 | - | - | - | - | - | - | 0.25 |
| Sunil Varma | 0.37 ¹⁰ | - | - | - | - | - | - | 0.37 |
| Aman Mehta | 0.37 ¹¹ | - | - | - | - | - | - | 0.37 |
| Frances Waikwun Wong | 0.37 ¹² | - | - | - | - | - | - | 0.37 |
| | 2.094 | 4.69 | 4.69 | 0.05 | 7.11 | 0.56 | 5.73 | 24.924 |

Notes:

- Benefits in kind mainly includes medical insurance premium.
- Bonus amount shown above represents the 2020 bonuses that were paid in 2021. It was determined by reference to the Groups and the individual performance during the year ended December 31, 2020.
- Share-based compensation amount shown above represents the aggregate fair values at the respective award dates of the PCCW Shares and Share Stapled Units vested in 2021 for the director under the share award schemes.
- Resigned as a non-executive director with effect from December 17, 2021.
- Fee receivable as a non-executive director in 2021 was surrendered to a subsidiary of China United Network Communications Group Company Limited in accordance with an arrangement between Mr. Li Fushen and China United Network Communications Group Company Limited.
- Fee receivable as a non-executive director in 2021 was surrendered to a subsidiary of China United Network Communications Group Company Limited in accordance with an arrangement between Mr. Zhu Keping and China United Network Communications Group Company Limited.
- Appointed as a non-executive director with effect from December 29, 2021.
- Fee receivable as a non-executive director in 2021 was surrendered to a subsidiary of China United Network Communications Group Company Limited in accordance with an arrangement between Mr. Mai Yanzhou and China United Network Communications Group Company Limited.
- Fee receivable as a non-executive director in 2021 was surrendered to a subsidiary of China United Network Communications Group Company Limited in accordance with an arrangement between Ms. Wang Fang and China United Network Communications Group Company Limited.
- Includes HK\$124,400 fee as Chairman of Audit Committee.
- Includes HK\$124,400 fee as Chairman of Nomination Committee.
- Includes HK\$124,400 fee as Chairwoman of Remuneration Committee.

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12 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (CONTINUED)

b. Directors' other services

No other emoluments were paid to or receivable by any director in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiary undertakings during the year ended December 31, 2021 (2020: nil).

c. Directors' retirement benefits

No retirement benefits were paid to or receivable by any director during the year ended December 31, 2021 by a defined contribution retirement scheme operated by the Groups in respect of services as a director of the Company and its subsidiaries (2020: nil).

No other retirement benefits were paid to or receivable by any director in respect of other services in connection with the management of the affairs of the Company or its subsidiary undertakings during the year ended December 31, 2021 (2020: nil).

d. Directors' termination benefits

No payments or benefits in respect of the termination of directors' services were paid to or receivable by the directors during the year ended December 31, 2021 (2020: nil).

e. Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by third parties for making available directors' services during the year ended December 31, 2021 (2020: nil).

f. Information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertakings of the Company, where applicable, in favour of directors

There were no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities during the year ended December 31, 2021 (2020: nil).

g. Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Groups' business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the year ended December 31, 2021 (2020: nil).

12 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (CONTINUED)

h. Individuals with highest emoluments

- i. Of the five individuals with the highest emoluments, one (2020: one) is a director of the Company and the Trustee-Manager whose emoluments are disclosed in note 12(a). The emoluments in respect of the four (2020: four) non-director individuals for the year ended December 31, 2021 were as follows:

| In HK\$ million | 2020 | 2021 |
|---|------|------|
| Salaries, share-based compensation, allowances and benefits in kind | 18 | 17 |
| Bonuses | 3 | 4 |
| Retirement scheme contributions | 1 | 1 |
| | 22 | 22 |

- ii. The emoluments of the four (2020: four) non-director individuals for the year ended December 31, 2021 were within the following emolument ranges:

| | Number of individuals | |
|-------------------------------|-----------------------|------|
| | 2020 | 2021 |
| HK\$4,500,001 – HK\$5,000,000 | 2 | – |
| HK\$5,000,001 – HK\$5,500,000 | 1 | 3 |
| HK\$6,500,001 – HK\$7,000,000 | 1 | 1 |
| | 4 | 4 |

13 INCOME TAX

a. Income tax in the consolidated income statement represents:

| In HK\$ million | 2020 | 2021 |
|--|------|------|
| Current income tax: | | |
| Hong Kong profits tax | | |
| – provision for current year | 413 | 480 |
| – under/(over) provision in respect of prior years | 4 | (3) |
| Overseas tax | | |
| – provision for current year | 14 | 14 |
| – under provision in respect of prior years | 3 | 1 |
| Movement of deferred income tax (note 33(a)) | 421 | 505 |
| | 855 | 997 |

Hong Kong profits tax is provided at the rate of 16.5% (2020: 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.

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13 INCOME TAX (CONTINUED)**b. Reconciliation between income tax expense and accounting profit at applicable tax rate:**

| In HK\$ million | 2020 | 2021 |
|--|-------|--------------|
| Profit before income tax | 6,174 | 5,819 |
| Notional tax on profit before income tax, calculated at the Hong Kong tax rate of 16.5% (2020: 16.5%) | 1,019 | 960 |
| Effect of different tax rates of subsidiaries operating overseas | 10 | 7 |
| Income not subject to tax | (225) | (31) |
| Expenses not deductible for tax purposes | 66 | 73 |
| Tax losses not recognized | 67 | 116 |
| Under/(Over) provision in respect of prior years, net | 7 | (2) |
| Utilization of previously unrecognized tax losses | (13) | (8) |
| Recognition of previously unrecognized tax losses | – | (17) |
| Recognition of previously unrecognized temporary differences | (6) | (24) |
| Net losses of associates and joint ventures not deductible for tax purposes | 13 | 21 |
| Corporate income tax incentives | (83) | (98) |
| Income tax expense | 855 | 997 |

14 DISTRIBUTIONS/DIVIDENDS

| In HK\$ million | 2020 | 2021 |
|--|-------|--------------|
| Interim distribution/dividend declared and paid in respect of the current year of 30.70 HK cents (2020: 30.10 HK cents) per Share Stapled Unit/ordinary share of the Company | 2,280 | 2,326 |
| Less: distribution/dividend for Share Stapled Units/ordinary shares of the Company held by the Share Stapled Units Award Schemes | (1) | (1) |
| | 2,279 | 2,325 |
| Final distribution/dividend declared in respect of the previous financial year, approved and paid during the year of 40.97 HK cents (2020: 40.37 HK cents) per Share Stapled Unit/ ordinary share of the Company | 3,058 | 3,104 |
| Less: distribution/dividend for Share Stapled Units/ordinary shares of the Company held by the Share Stapled Units Award Schemes | (1) | (1) |
| | 3,057 | 3,103 |
| | 5,336 | 5,428 |

For the year ended December 31, 2021, the Company proposed a final dividend of 42.07 HK cents per ordinary share, totaling HK\$3,187 million (2020: 40.97 HK cents per ordinary share, totaling HK\$3,104 million) to the HKT Trust after the end of the reporting period.

For the year ended December 31, 2021, the HKT Trust proposed a final distribution of 42.07 HK cents per Share Stapled Unit, totaling HK\$3,187 million (2020: 40.97 HK cents per Share Stapled Unit, totaling HK\$3,104 million) to holders of Share Stapled Units after the end of the reporting period.

The final distribution/dividend proposed after the end of the reporting period, referred to above, is not recognized as a liability as at the end of the reporting period.

15 EARNINGS PER SHARE STAPLED UNIT/SHARE OF THE COMPANY

The calculations of basic and diluted earnings per Share Stapled Unit/share of the Company were based on the following data:

| | 2020 | 2021 |
|---|---------------|----------------------|
| Earnings (in HK\$ million) | | |
| Earnings for the purpose of basic and diluted earnings per Share Stapled Unit/share of the Company | 5,303 | 4,808 |
| Number of Share Stapled Units/shares of the Company | | |
| Weighted average number of Share Stapled Units/ordinary shares of the Company | 7,574,922,662 | 7,575,742,334 |
| Effect of Share Stapled Units held under the Share Stapled Units Award Schemes | (195,875) | (2,967,769) |
| Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of basic earnings per Share Stapled Unit/share of the Company | 7,574,726,787 | 7,572,774,565 |
| Effect of Share Stapled Units awarded under the Share Stapled Units Award Schemes | 1,477,218 | 1,443,288 |
| Weighted average number of Share Stapled Units/ordinary shares of the Company for the purpose of diluted earnings per Share Stapled Unit/share of the Company | 7,576,204,005 | 7,574,217,853 |

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16 PROPERTY, PLANT AND EQUIPMENT

| In HK\$ million | 2020 | | | | | Total |
|--|-----------|--------------------|--------------------|---------------------------|-----------------------------|--------|
| | Buildings | Exchange equipment | Transmission plant | Other plant and equipment | Projects under construction | |
| Cost | | | | | | |
| Beginning of year | 1,389 | 22,987 | 26,494 | 15,100 | 2,341 | 68,311 |
| Additions | – | 319 | 617 | 303 | 1,198 | 2,437 |
| Additions upon business combinations | – | – | – | 403 | 151 | 554 |
| Disposal of subsidiaries | – | – | – | (249) | – | (249) |
| Disposals | – | (383) | (3) | (74) | – | (460) |
| Transfers | – | 435 | 979 | 182 | (1,596) | – |
| Exchange differences | – | 11 | 57 | 45 | – | 113 |
| End of year | 1,389 | 23,369 | 28,144 | 15,710 | 2,094 | 70,706 |
| Accumulated depreciation and impairment | | | | | | |
| Beginning of year | 742 | 17,610 | 16,543 | 11,239 | – | 46,134 |
| Charge for the year | 29 | 371 | 443 | 275 | – | 1,118 |
| Disposal of subsidiaries | – | – | – | (183) | – | (183) |
| Disposals | – | (382) | (3) | (74) | – | (459) |
| Exchange differences | – | 6 | 35 | 36 | – | 77 |
| End of year | 771 | 17,605 | 17,018 | 11,293 | – | 46,687 |
| Net book value | | | | | | |
| End of year | 618 | 5,764 | 11,126 | 4,417 | 2,094 | 24,019 |
| Beginning of year | 647 | 5,377 | 9,951 | 3,861 | 2,341 | 22,177 |

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| In HK\$ million | 2021 | | | | | Total |
|--|-----------|--------------------|--------------------|---------------------------|-----------------------------|--------|
| | Buildings | Exchange equipment | Transmission plant | Other plant and equipment | Projects under construction | |
| Cost | | | | | | |
| Beginning of year | 1,389 | 23,369 | 28,144 | 15,710 | 2,094 | 70,706 |
| Additions | – | 359 | 484 | 417 | 1,198 | 2,458 |
| Disposals | (36) | (313) | (258) | (143) | – | (750) |
| Transfers | – | 211 | 440 | 345 | (996) | – |
| Exchange differences | – | – | (66) | (9) | – | (75) |
| End of year | 1,353 | 23,626 | 28,744 | 16,320 | 2,296 | 72,339 |
| Accumulated depreciation and impairment | | | | | | |
| Beginning of year | 771 | 17,605 | 17,018 | 11,293 | – | 46,687 |
| Charge for the year | 28 | 409 | 477 | 320 | – | 1,234 |
| Disposals | (18) | (313) | (258) | (140) | – | (729) |
| Exchange differences | – | – | (40) | (11) | – | (51) |
| End of year | 781 | 17,701 | 17,197 | 11,462 | – | 47,141 |
| Net book value | | | | | | |
| End of year | 572 | 5,925 | 11,547 | 4,858 | 2,296 | 25,198 |
| Beginning of year | 618 | 5,764 | 11,126 | 4,417 | 2,094 | 24,019 |

The depreciation charge for the year is included in general and administrative expenses in the consolidated income statement.

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17 RIGHT-OF-USE ASSETS

| In HK\$ million | 2020 | 2021 |
|--------------------------------|--------------|--------------|
| Land and buildings | 2,183 | 1,928 |
| Network capacity and equipment | 247 | 211 |
| Total | 2,430 | 2,139 |

The Groups obtain right to control the use of various land and buildings, and network capacity and equipment for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 14 years for land and buildings, and from 1 to 10 years for network capacity and equipment. Except for lease covenants mainly related to the maintenance and use of the leased assets that are commonly found in lease arrangements, there are no other covenants or restrictions imposed by the lease agreements. The leased assets may not be used as security for borrowing purposes. As at December 31, 2020, the Groups also subleased certain buildings whose lease terms were for the whole of the remaining term of the head leases and had classified the subleases as finance leases.

Additions to the right-of-use assets during the year ended December 31, 2021 were HK\$1,278 million (2020: HK\$1,336 million).

During the year ended December 31, 2021, total cash outflow for leases amounted to HK\$1,725 million (2020: HK\$1,712 million), which included cash outflow for short-term lease expenses amounted to HK\$101 million (2020: HK\$122 million) that were recognized in the consolidated income statement.

The depreciation charge for the year is included in general and administrative expenses in the consolidated income statement.

18 INTERESTS IN LEASEHOLD LAND

| In HK\$ million | 2020 | 2021 |
|---------------------------------|------|------------|
| Cost | | |
| Beginning and end of year | 536 | 536 |
| Accumulated amortization | | |
| Beginning of year | 321 | 334 |
| Charge for the year | 13 | 13 |
| End of year | 334 | 347 |
| Net book value | | |
| End of year | 202 | 189 |
| Beginning of year | 215 | 202 |

19 GOODWILL

| In HK\$ million | 2020 | 2021 |
|-------------------------------------|--------|---------------|
| Cost | | |
| Beginning of year | 49,814 | 49,816 |
| Additions upon business combination | 43 | – |
| Disposal of a subsidiary | (47) | – |
| Exchange differences | 6 | (7) |
| End of year | 49,816 | 49,809 |

Impairment tests for CGUs containing goodwill

Goodwill was allocated to the Groups' CGUs identified according to operating segments as follows:

| In HK\$ million | 2020 | 2021 |
|-------------------------------------|--------|---------------|
| TSS | | |
| – Local telephony and data services | 31,739 | 31,739 |
| – Global | 1,224 | 1,217 |
| Mobile | 16,853 | 16,853 |
| Total | 49,816 | 49,809 |

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management generally covering a 5-year period. Cash flows beyond the projection period are extrapolated using the estimated terminal growth rates stated below.

The key assumptions used for value-in-use calculations in 2021 were as follows:

| | 2020 | | | Pre-tax discount rate | 2021 | | | Pre-tax discount rate |
|-------------------------------------|-----------------------------|----------------------------|----------------------|-----------------------|-----------------------------|----------------------------|----------------------|-----------------------|
| | Average revenue growth rate | Average EBITDA growth rate | Terminal growth rate | | Average revenue growth rate | Average EBITDA growth rate | Terminal growth rate | |
| TSS | | | | | | | | |
| – Local telephony and data services | 1% | 1% | 1% | 8% | 2% | 2% | 1% | 8% |
| – Global | 1% | 3% | 3% | 13% | 2% | 5% | 3% | 14% |
| Mobile | 3% | 3% | 2% | 12% | 3% | 2% | 2% | 12% |

These assumptions were used for the analysis of each CGU.

There was no impairment required from the review on goodwill. A reasonably possible change in assumptions would not result in impairment and as such disclosure of sensitivity analysis is not considered necessary.

Management determined budgeted revenue and EBITDA growth rates based on past performance and its expectations for market development. The average growth rates used were consistent with the forecasts included in industry reports. The terminal growth rates did not exceed the long-term average growth rates for the businesses in which the CGUs operate.

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20 INTANGIBLE ASSETS

| In HK\$ million | Trademarks | Carrier licences | Customer base | 2020 | | Others | Total |
|--------------------------------------|------------|------------------|---------------|----------|-----------------------------|--------|--------|
| | | | | Software | Capitalized programme costs | | |
| Cost | | | | | | | |
| Beginning of year | 1,860 | 4,872 | 2,764 | 6,632 | – | – | 16,128 |
| Additions | 1 | 364 | – | 1,956 | 69 | 8 | 2,398 |
| Additions upon business combinations | 192 | – | 210 | – | 59 | 59 | 520 |
| Write-off | – | (98) | (10) | (338) | – | – | (446) |
| Exchange differences | 1 | – | – | – | – | – | 1 |
| End of year | 2,054 | 5,138 | 2,964 | 8,250 | 128 | 67 | 18,601 |
| Accumulated amortization | | | | | | | |
| Beginning of year | 657 | 1,612 | 2,339 | 1,402 | – | – | 6,010 |
| Charge for the year | 96 | 439 | 190 | 575 | 25 | 2 | 1,327 |
| Write-off | – | (98) | (10) | (36) | – | – | (144) |
| Exchange differences | 1 | – | (1) | – | – | – | – |
| End of year | 754 | 1,953 | 2,518 | 1,941 | 25 | 2 | 7,193 |
| Net book value | | | | | | | |
| End of year | 1,300 | 3,185 | 446 | 6,309 | 103 | 65 | 11,408 |
| Beginning of year | 1,203 | 3,260 | 425 | 5,230 | – | – | 10,118 |

20 INTANGIBLE ASSETS (CONTINUED)

| In HK\$ million | 2021 | | | | | | Total |
|---------------------------------|------------|------------------|---------------|----------|-----------------------------|--------|--------|
| | Trademarks | Carrier licences | Customer base | Software | Capitalized programme costs | Others | |
| Cost | | | | | | | |
| Beginning of year | 2,054 | 5,138 | 2,964 | 8,250 | 128 | 67 | 18,601 |
| Additions | – | 3,355 | – | 2,250 | 103 | – | 5,708 |
| Write-off | – | (169) | (40) | – | (4) | – | (213) |
| Exchange differences | – | – | 2 | – | – | – | 2 |
| End of year | 2,054 | 8,324 | 2,926 | 10,500 | 227 | 67 | 24,098 |
| Accumulated amortization | | | | | | | |
| Beginning of year | 754 | 1,953 | 2,518 | 1,941 | 25 | 2 | 7,193 |
| Charge for the year | 103 | 553 | 202 | 529 | 107 | 6 | 1,500 |
| Write-off | – | (169) | (40) | – | (4) | – | (213) |
| Exchange differences | (1) | – | 2 | – | – | – | 1 |
| End of year | 856 | 2,337 | 2,682 | 2,470 | 128 | 8 | 8,481 |
| Net book value | | | | | | | |
| End of year | 1,198 | 5,987 | 244 | 8,030 | 99 | 59 | 15,617 |
| Beginning of year | 1,300 | 3,185 | 446 | 6,309 | 103 | 65 | 11,408 |

The amortization charge for the year is included in general and administrative expenses in the consolidated income statement.

As at December 31, 2020 and 2021, no impairment loss was recognized for the intangible assets. Impairment assessments for intangible assets are performed as part of the impairment assessments for the corresponding CGUs. For details of the accounting policies and the impairment assessments, please refer to notes 3(o)(ii) and 19.

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21 INTERESTS IN ASSOCIATES

| In HK\$ million | 2020 | 2021 |
|-----------------------------------|------|------|
| Share of net assets of associates | 278 | 423 |
| Loan due from an associate | 8 | 7 |
| Provision for impairment | (75) | (70) |
| | 211 | 360 |

During the year ended December 31, 2021, no provision for impairment was recognized in the consolidated income statement (2020: nil).

During the year ended December 31, 2021, the Groups have made investments in associates of HK\$264 million, mainly in associates engaged in businesses in the provision of virtual banking services, and electric vehicle charging solutions and related services.

During the year ended December 31, 2020, the Groups made an investment in an associate engaged in business in the provision of virtual banking services of HK\$70 million.

During the year ended December 31, 2020, 東莞捷通達電訊有限公司 (Dongguan Jietongda Telecommunications Company Limited*) (“Jietongda”) became a 56.5% owned indirect subsidiary of the Company and is consolidated by the Groups, details of which are set out in note 41(b).

* Unofficial company name

As at December 31, 2021, loan due from an associate of HK\$7 million (2020: HK\$8 million), is secured, bears interest at 8% per annum (2020: same) and is repayable within 1 year (2020: same). The loan is considered as equity in nature for which full provision for impairment has been made as at December 31, 2020 and 2021.

a. As at December 31, 2020 and 2021, the Groups considered that there were no principal associates.

b. Contingent liabilities in respect of associates

There were no contingent liabilities relating to the Groups’ interests in the associates. As at December 31, 2021, the Groups’ share of the contingent liabilities of an associate was HK\$3 million (2020: HK\$3 million).

c. Summarized unaudited financial information of the Groups’ associates

For the year ended December 31, 2021, the aggregate net amounts of the Groups’ share of loss after income tax, other comprehensive loss and total comprehensive loss of the individually immaterial associates that are accounted for using the equity method were HK\$115 million (2020: HK\$68 million), nil (2020: nil) and HK\$115 million (2020: HK\$68 million), respectively.

d. Reconciliation of summarized unaudited financial information of the Groups’ associates

As at December 31, 2021, the aggregate carrying amount of interests in individually immaterial associates that are accounted for using the equity method was HK\$360 million (2020: HK\$211 million).

During the year ended December 31, 2021, the Groups did not have any unrecognized share of losses of associates (2020: nil).

As at December 31, 2021, there was no accumulated share of losses of associates unrecognized by the Groups (2020: nil).

22 INTERESTS IN JOINT VENTURES

| In HK\$ million | 2020 | 2021 |
|---------------------------------------|------|------|
| Share of net assets of joint ventures | 306 | 313 |
| Loan due from a joint venture | 296 | 242 |
| | 602 | 555 |

As at December 31, 2021, all balances with joint ventures are unsecured and non-interest bearing, and have no fixed terms of repayment except that the loan due from a joint venture of HK\$242 million (2020: HK\$296 million) bears interest at HIBOR plus 3% per annum (2020: same). The amount is considered as part of the interests in joint ventures.

a. Particulars of the principal joint venture of the Groups as at December 31, 2021 are as follows:

| Company name | Principal place of business/place of incorporation | Principal activities | Amount of issued capital | Interest held by the Company | | Measurement method |
|------------------------------|--|--|--------------------------|------------------------------|------------|--------------------|
| | | | | Directly | Indirectly | |
| Genius Brand Limited ("GBL") | Hong Kong | Provision of mobile telecommunications services in Hong Kong | HK\$10,000 | – | 50% | Equity |

GBL is a strategic partnership of the Groups, providing access to advanced connectivity services in Hong Kong for the development of mobile business.

GBL is a private company and there is no quoted market price available for its shares.

b. Commitments and contingent liabilities in respect of joint ventures

As at December 31, 2021, the Groups' commitments in respect of joint ventures are as follows:

| In HK\$ million | 2020 | 2021 |
|---|------|------|
| The Groups' commitments to provide funding | 29 | 46 |
| The Groups' share of joint ventures' capital commitments authorized and contracted for acquisition of property, plant and equipment | 6 | 27 |
| The Groups' share of joint ventures' other commitments | 24 | 6 |

There were no contingent liabilities relating to the Groups' interests in the joint ventures. As at December 31, 2021, the Groups had no share of contingent liabilities related to the joint ventures (2020: nil).

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22 INTERESTS IN JOINT VENTURES (CONTINUED)**c. Summarized unaudited financial information of the Groups' joint ventures**

Set out below is the summarized unaudited financial information of GBL, the principal joint venture of the Groups and being accounted for using the equity method.

| In HK\$ million | As at December 31, | |
|---|---------------------------------|--------------|
| | 2020 | 2021 |
| Non-current assets | 698 | 594 |
| Current assets | | |
| Cash and cash equivalents | 13 | 4 |
| Other current assets (excluding cash and cash equivalents) | 27 | 23 |
| Total current assets | 40 | 27 |
| Current liabilities | | |
| Financial liabilities (excluding trade payables, accruals and other payables) | (320) | (241) |
| Other current liabilities (including trade payables, accruals and other payables) | (60) | (145) |
| Total current liabilities | (380) | (386) |
| Non-current liabilities | | |
| Financial liabilities | (419) | (307) |
| Other non-current liabilities | (33) | (32) |
| Total non-current liabilities | (452) | (339) |
| Net liabilities | (94) | (104) |
| Equity attributable to equity holders | (94) | (104) |
| | | |
| In HK\$ million | For the year ended December 31, | |
| | 2020 | 2021 |
| Revenue | 236 | 229 |
| Depreciation and amortization | (94) | (94) |
| Interest expense | (30) | (19) |
| Profit before income tax | 2 | 1 |
| Income tax | (12) | (11) |
| Loss after income tax and total comprehensive loss | (10) | (10) |
| Dividend received from the joint venture | – | – |

The information above reflects the amounts presented in the financial statements of the joint venture (not the Groups' share of those amounts) and adjusted for differences in accounting policies between the Groups and the joint venture, if any.

22 INTERESTS IN JOINT VENTURES (CONTINUED)

c. Summarized unaudited financial information of the Groups' joint ventures (continued)

For the year ended December 31, 2021, the aggregate net amounts of the Groups' share of loss after income tax, other comprehensive loss and total comprehensive loss of the individually immaterial joint ventures that are accounted for using the equity method were HK\$10 million (2020: HK\$6 million), HK\$8 million (2020: other comprehensive income of HK\$11 million) and HK\$18 million (2020: total comprehensive income of HK\$5 million), respectively.

d. Reconciliation of summarized unaudited financial information of the Groups' joint ventures

Reconciliation of the summarized unaudited financial information presented to the carrying amount of the Groups' interest in GBL, the principal joint venture.

| In HK\$ million | 2020 | 2021 |
|--|-------------|-------------|
| Net liabilities | | |
| Beginning of year | (84) | (94) |
| Loss and total comprehensive loss for the year | (10) | (10) |
| End of year | (94) | (104) |
| Interest in a joint venture | 50% | 50% |
| Loan due from a joint venture | (47) 296 | (52) 242 |
| Carrying amount | 249 | 190 |

As at December 31, 2021, the aggregate carrying amount of interests in individually immaterial joint ventures that are accounted for using the equity method was HK\$365 million (2020: HK\$353 million).

During the year ended December 31, 2021, the Groups did not have any unrecognized share of losses of joint ventures (2020: nil).

As at December 31, 2021, there was no accumulated share of losses of joint ventures unrecognized by the Groups (2020: nil).

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23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| In HK\$ million | 2020 | 2021 |
|---|------|------------|
| Non-current assets – Unlisted securities | | |
| Balance as at January 1 and December 31, | 124 | 124 |

As at December 31, 2021, financial assets at FVOCI comprised unlisted equity investments which are held for strategic purposes (2020: same).

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| In HK\$ million | 2020 | 2021 |
|--|------|-------------|
| Listed securities | 34 | 20 |
| Less: securities held for employee share award schemes to be vested within one year classified as current assets | (16) | (15) |
| Listed securities (non-current) | 18 | 5 |
| Unlisted securities (non-current) | 31 | 33 |
| Total non-current portion | 49 | 38 |

Financial assets at FVPL mainly comprise:

- debt instrument that does not qualify for measurement either at amortized cost or at FVOCI; and
- PCCW Shares acquired and subscribed under the PCCW Purchase Scheme and PCCW Subscription Scheme. Refer to note 30(b)(ii) for details of the share award schemes of PCCW.

During the year ended December 31, 2021, there were additions of unlisted securities recognized as financial assets at FVPL of HK\$2 million (2020: nil).

25 INTERESTS IN SUBSIDIARIES

a. Particulars of the principal subsidiaries of the Company as at December 31, 2021 are as follows:

| Company name | Place of incorporation/ operations | Amount of issued capital/ registered capital | Interest held by the Company | | Principal activities |
|--|--|--|------------------------------|------------------|--|
| | | | Directly | Indirectly | |
| HKT Group Holdings Limited (“HKTGH”) | Cayman Islands | US\$636,000,025 | 100% | – | Investment holding |
| HKT Services Limited | Hong Kong | HK\$1 | – | 100% | Provision of management services to group companies |
| Hong Kong Telecommunications (HKT) Limited (“HKTL”) | Hong Kong | HK\$9,945,156,001 | – | 100% | Provision of telecommunications services |
| 電訊盈科科技(北京)有限公司 ³ (PCCW Technology (Beijing) Limited ⁴) | The People’s Republic of China (the “PRC”) | RMB40,000,000 | – | 100% | System integration, software development and technical services consultancy |
| CSL Mobile Limited | Hong Kong | HK\$7,900,280,100 ordinary shares and HK\$1,254,000,000 non-voting deferred shares | – | 100% | Provision of mobile services to its customers and the sale of mobile handsets and accessories |
| Sun Mobile Limited | Hong Kong | HK\$41,600,002 | – | 60% ¹ | Provision of mobile telecommunications services to customers in Hong Kong |
| Club HKT Limited | Hong Kong | HK\$1 | – | 100% | Operating customer loyalty programme and online merchandise sales in Hong Kong |
| Gateway Global Communications Limited | United Kingdom | GBP2 | – | 100% | Provision of network-based telecommunications services to external customers and related companies |
| PCCW Global B.V. | Netherlands/ France | EUR18,000 | – | 100% | Sales, distribution and marketing of telecommunications services and products |
| PCCW Global, Inc. | Delaware, U.S. | US\$18.01 | – | 100% | Supply of broadband internet access solutions and web services |

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25 INTERESTS IN SUBSIDIARIES (CONTINUED)**a. Particulars of the principal subsidiaries of the Company as at December 31, 2021 are as follows: (continued)**

| Company name | Place of incorporation/ operations | Amount of issued capital/ registered capital | Interest held by the Company | | Principal activities |
|----------------------------------|---------------------------------------|--|---------------------------------|------------------|--|
| | | | Directly | Indirectly | |
| PCCW Global Limited | Hong Kong/ Dubai Media City | HK\$240,016,690.65 | – | 100% | Provision of network-based telecommunications services |
| PCCW Global (Japan) K.K. | Japan | JPY10,000,000 | – | 100% | Provision of telecommunications services |
| PCCW Global (HK) Limited | Hong Kong | HK\$10 | – | 100% | Provision of satellite-based and network-based telecommunications services |
| HKT Global (Singapore) Pte. Ltd. | Singapore/ Malaysia | S\$260,960,522.64 | – | 100% | Provision of telecommunications solutions related services |
| PCCW (Macau), Limitada | Macau | MOP2,000,000 | – | 75% ² | Selling customer premises equipment and related solutions, conducting systems integration projects and providing outsourced contact center services |
| PCCW Media Limited | Hong Kong | HK\$8,041,216,269 ordinary shares, HK\$1 “A” Class share and HK\$4 “B” Class shares | – | 100% | Provision of pay television programme services, interactive multimedia services, the sale of advertising in various telephone directories, the publishing of those directories in Hong Kong and the sale of advertising on the Internet |
| PCCW Content Limited | Hong Kong | HK\$1 | – | 100% | Distribution of media content |

25 INTERESTS IN SUBSIDIARIES (CONTINUED)

a. Particulars of the principal subsidiaries of the Company as at December 31, 2021 are as follows: (continued)

| Company name | Place of incorporation/ operations | Amount of issued capital/ registered capital | Interest held by the Company | | Principal activities |
|---|---------------------------------------|---|------------------------------|------------|--|
| | | | Directly | Indirectly | |
| 廣州電盈綜合客戶服務技術發展有限公司 ³ (PCCW Customer Management Technology and Services (Guangzhou) Limited ⁴) | The PRC | HK\$93,240,000 | – | 100% | Customer service and consultancy |
| HKT Teleservices International Limited | Hong Kong | HK\$350,000,002 | – | 100% | Provision of customer relationship management and customer contact management solutions and services |
| 盈環網絡技術(上海)有限公司 ³ (HKT Teleservices (China) Limited ⁴) | The PRC | RMB14,000,000 | – | 100% | Provision of contact center service in value-added telecommunications services and telecommunications solutions related services and consultancy |

Certain subsidiaries which do not materially affect the results or financial position of the Groups are not included in the above.

Notes:

- 1 The equity interest held by non-controlling interest is 40% as at December 31, 2021.
- 2 The equity interest held by non-controlling interest is 25% as at December 31, 2021.
- 3 Represents a wholly-foreign owned enterprise.
- 4 Unofficial company name.

b. Non-controlling interests of the Groups' subsidiaries

The total of non-controlling interests as at December 31, 2021 was HK\$56 million (2020: HK\$62 million), of which HK\$48 million (2020: HK\$54 million) was mainly attributable to non-controlling interests in Sun Mobile Limited and PCCW (Macau), Limitada.

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26 OTHER NON-CURRENT ASSETS

| In HK\$ million | 2020 | 2021 |
|-----------------|-------|------|
| Prepayments | 764 | 779 |
| Deposits | 154 | 110 |
| Others | 158 | - |
| | 1,076 | 889 |

27 CURRENT ASSETS AND LIABILITIES**a. Inventories**

| In HK\$ million | 2020 | 2021 |
|-------------------------------|------|-------|
| Purchased parts and materials | 467 | 722 |
| Finished goods | 293 | 452 |
| Consumable inventories | 60 | 44 |
| | 820 | 1,218 |

b. Prepayments, deposits and other current assets

| In HK\$ million | 2020 | 2021 |
|----------------------|-------|-------|
| Prepayments | 826 | 785 |
| Deposits | 318 | 360 |
| Other current assets | 1,065 | 996 |
| | 2,209 | 2,141 |

As at December 31, 2021, included in prepayments were prepaid programme costs of HK\$123 million (2020: HK\$190 million).

c. Trade receivables, net

| In HK\$ million | 2020 | 2021 |
|---|-------|-------|
| Trade receivables (<i>note i</i>) | 3,448 | 4,116 |
| Less: loss allowance (<i>note ii</i>) | (195) | (163) |
| Trade receivables, net | 3,253 | 3,953 |

The balance represents amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days from the date of invoice and therefore are all classified as current. Details about the Groups' impairment policies are provided in note 3(o)(i).

As at December 31, 2021, included in trade receivables, net were amounts due from related parties of HK\$39 million (2020: HK\$21 million).

27 CURRENT ASSETS AND LIABILITIES (CONTINUED)

c. Trade receivables, net (continued)

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

| In HK\$ million | 2020 | 2021 |
|-----------------|-------|-------|
| 1 – 30 days | 2,043 | 2,829 |
| 31 – 60 days | 455 | 440 |
| 61 – 90 days | 274 | 180 |
| 91 – 120 days | 106 | 92 |
| Over 120 days | 570 | 575 |
| | 3,448 | 4,116 |

ii. Impairment for trade receivables

The Groups apply the HKFRS 9 (2014) simplified approach to measure loss allowance for expected credit losses which uses a lifetime expected loss allowance for trade receivables.

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are estimated based on the corresponding historical credit losses experienced, adjusted with the expected change between current and forward-looking information on macroeconomic factors, if material. On that basis, the loss allowance as at December 31, 2021 was determined as follows:

| Expected credit loss rate | 2020 | 2021 |
|---------------------------|------|------|
| Current | 1% | 1% |
| 1 – 120 days past due | 5% | 3% |
| Over 120 days past due | 36% | 32% |

The movements in the loss allowance during the year were as follows:

| In HK\$ million | 2020 | 2021 |
|-----------------------------------|-------|-------|
| Beginning of year | 143 | 195 |
| Net impairment loss recognized | 256 | 174 |
| Uncollectible amounts written off | (204) | (206) |
| End of year | 195 | 163 |

d. Restricted cash

As at December 31, 2021, cash balance of HK\$187 million (2020: HK\$107 million) has been received from and restricted for the use of certain customers.

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27 CURRENT ASSETS AND LIABILITIES (CONTINUED)**e. Short-term borrowings**

| In HK\$ million | 2020 | 2021 |
|-----------------|-------|------|
| Bank borrowings | 1,552 | 61 |
| Secured | – | – |
| Unsecured | 1,552 | 61 |

Refer to note 40 for details of the Groups' banking facilities.

f. Trade payables

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

| In HK\$ million | 2020 | 2021 |
|-----------------|-------|-------|
| 1 – 30 days | 1,708 | 2,318 |
| 31 – 60 days | 906 | 696 |
| 61 – 90 days | 548 | 879 |
| 91 – 120 days | 268 | 547 |
| Over 120 days | 515 | 810 |
| | 3,945 | 5,250 |

As at December 31, 2021, included in trade payables were amounts due to related parties of HK\$22 million (2020: HK\$28 million).

28 LONG-TERM BORROWINGS

| In HK\$ million | 2020 | 2021 |
|--|--------|--------|
| Repayable within a period | | |
| – over one year, but not exceeding two years | 2,640 | 9,592 |
| – over two years, but not exceeding five years | 24,283 | 26,111 |
| – over five years | 13,796 | 7,925 |
| | 40,719 | 43,628 |
| Representing: | | |
| US\$500 million 3.75% guaranteed notes due 2023 (note a) | 3,824 | 3,870 |
| US\$300 million zero coupon guaranteed notes due 2030 (note b) | 2,314 | 2,329 |
| US\$500 million 3.625% guaranteed notes due 2025 (note c) | 3,850 | 3,874 |
| EUR200 million 1.65% guaranteed notes due 2027 (note d) | 1,878 | 1,752 |
| US\$750 million 3.00% guaranteed notes due 2026 (note e) | 5,789 | 5,828 |
| US\$500 million 3.25% guaranteed notes due 2029 (note f) | 3,815 | 3,844 |
| Bank borrowings (note g) | 19,249 | 22,131 |
| | 40,719 | 43,628 |
| Secured | – | – |
| Unsecured | 40,719 | 43,628 |

28 LONG-TERM BORROWINGS (CONTINUED)

a. US\$500 million 3.75% guaranteed notes due 2023

On March 8, 2013, PCCW-HKT Capital No.5 Limited, an indirect wholly-owned subsidiary of the Company, issued US\$500 million 3.75% guaranteed notes due 2023, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

b. US\$300 million zero coupon guaranteed notes due 2030

On January 15, 2015, HKT Capital No. 1 Limited, an indirect wholly-owned subsidiary of the Company, issued US\$300 million zero coupon guaranteed notes due 2030, which are listed on the Taipei Exchange. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

c. US\$500 million 3.625% guaranteed notes due 2025

On April 2, 2015, HKT Capital No. 2 Limited, an indirect wholly-owned subsidiary of the Company, issued US\$500 million 3.625% guaranteed notes due 2025, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

d. EUR200 million 1.65% guaranteed notes due 2027

On April 10, 2015, HKT Capital No. 3 Limited, an indirect wholly-owned subsidiary of the Company, issued EUR200 million 1.65% guaranteed notes due 2027, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

e. US\$750 million 3.00% guaranteed notes due 2026

On July 14, 2016, HKT Capital No. 4 Limited, an indirect wholly-owned subsidiary of the Company, issued US\$750 million 3.00% guaranteed notes due 2026, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

f. US\$500 million 3.25% guaranteed notes due 2029

On September 30, 2019, HKT Capital No. 5 Limited, an indirect wholly-owned subsidiary of the Company, issued US\$500 million 3.25% guaranteed notes due 2029, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

g. Refer to note 40 for details of the Groups' banking facilities.

29 DERIVATIVE FINANCIAL INSTRUMENTS

| In HK\$ million | 2020 | 2021 |
|--|-------|--------------|
| Non-current assets | | |
| Cross currency swap contracts – cash flow hedges for foreign currency risk (<i>note a</i>) | 214 | 131 |
| Current liabilities | | |
| Foreign exchange forward contracts | (3) | – |
| Interest rate swap contracts – cash flow hedges for interest rate risk (<i>note b</i>) | (21) | – |
| | (24) | – |
| Non-current liabilities | | |
| Cross currency swap contracts and foreign exchange forward contracts – cash flow hedges for foreign currency risk (<i>note a</i>) | (37) | (31) |
| Interest rate swap contract – cash flow hedge for interest rate risk (<i>note b</i>) | (91) | (97) |
| | (128) | (128) |

Derivatives are mainly used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are accounted for at FVPL.

Hedge effectiveness is determined at the inception of the hedging relationship and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and the hedging instrument.

Hedge ineffectiveness for the Groups' cross currency swap, foreign exchange forward and interest rate swap contracts may occur due to:

- differences in critical terms between the hedged item and the hedging instrument; and
- changes in credit risk of the derivative counterparty.

29 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

a. Cash flow hedges for foreign currency risk

For certain borrowings denominated in foreign currencies, the Groups have entered into cross currency swap contracts and foreign exchange forward contracts to hedge the foreign currency risk. The Groups performed qualitative assessment of hedge effectiveness. As the cross currency swap contracts and the foreign exchange forward contracts have similar critical terms as the hedged items, such as notional amounts, maturity dates and payment dates, the economic relationship exists between the hedged items and the hedging instruments.

The effects of the foreign currency related hedging instruments outstanding at the end of the reporting period on the Groups' financial position and performance are as follows:

| | 2020 | 2021 |
|--|---|---|
| Net carrying amount (assets) | HK\$177 million | HK\$100 million |
| Notional amount | EUR200 million and US\$2,220 million | EUR200 million and US\$2,720 million |
| Maturity date | March 2023 to September 2029 | March 2023 to September 2029 |
| Hedge ratio | 1:1* | 1:1* |
| Change# in fair value of the hedging instruments during the year | (HK\$210 million) | (HK\$18 million) |
| Change# in value of the hedged items during the year | HK\$212 million | HK\$42 million |
| Weighted average hedged exchange rate for the year | EUR1:HK\$8.32 US\$1:HK\$7.79 | EUR1:HK\$8.32 US\$1:HK\$7.79 |

* The hedge ratio is 1:1 as the notional amount and timing of the hedging instruments match with that of the hedged items.

Positive change refers to increase in net assets, whereas negative change refers to decrease in net assets.

b. Cash flow hedges for interest rate risk

For certain borrowings subject to cash flow interest rate risk, the Groups have entered into floating-to-fixed interest rate swap contracts. The Groups performed qualitative assessment of hedge effectiveness. As the interest rate swap contracts have similar critical terms as the hedged items, such as notional amounts, maturity dates and payment dates, the economic relationship exists between the hedged items and the hedging instruments.

The effects of the interest rate related hedging instruments outstanding at the end of the reporting period on the Groups' financial position and performance are as follows:

| | 2020 | 2021 |
|--|-----------------------------|--------------------------|
| Net carrying amount (liabilities) | (HK\$112 million) | (HK\$97 million) |
| Notional amount | HK\$4,450 million | HK\$1,000 million |
| Maturity date | March 2021 to March 2023 | March 2023 |
| Hedge ratio | 1:1* | 1:1* |
| Change# in fair value of the hedging instruments during the year | (HK\$100 million) | HK\$23 million |
| Change# in value of the hedged items during the year | HK\$96 million | (HK\$23 million) |
| Weighted average receive leg/pay leg interest ratio | 0.61 | 0.29 |

* The hedge ratio is 1:1 as the notional amount and timing of the hedging instruments match with that of the hedged items.

Positive change refers to increase in net assets, whereas negative change refers to decrease in net assets.

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29 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)**c. Hedging reserve and costs of hedging reserve**

The Groups' hedging reserve and costs of hedging reserve relate to the following hedging instruments:

| In HK\$ million | Cash flow hedges for foreign currency risk | Cash flow hedges for interest rate risk | Total |
|---|--|---|------------|
| Hedging reserve | | | |
| As at January 1, 2020 | 391 | 47 | 438 |
| Cash flow hedges: | | | |
| – effective portion of changes in fair value | (164) | (104) | (268) |
| – transfer from equity to consolidated income statement | (92) | 3 | (89) |
| As at December 31, 2020 and January 1, 2021 | 135 | (54) | 81 |
| Cash flow hedges: | | | |
| – effective portion of changes in fair value | (42) | 40 | (2) |
| – transfer from equity to consolidated income statement | (7) | 3 | (4) |
| As at December 31, 2021 | 86 | (11) | 75 |

| In HK\$ million | Cash flow hedges for foreign currency risk |
|---|--|
| Costs of hedging reserve | |
| As at January 1, 2020 | (158) |
| Cash flow hedges: | |
| – transfer from equity to consolidated income statement | 7 |
| Costs of hedging | 181 |
| As at December 31, 2020 and January 1, 2021 | 30 |
| Cash flow hedges: | |
| – transfer from equity to consolidated income statement | 12 |
| Costs of hedging | (55) |
| As at December 31, 2021 | (13) |

30 EMPLOYEE BENEFITS**a. Employee retirement benefits – Defined contribution retirement schemes**

The Groups operate defined contribution retirement schemes, including the Mandatory Provident Fund Scheme (the “MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The schemes are administered by independent trustees.

Under the defined contribution retirement scheme, the employer is required to make contributions to the scheme at rates specified under the rules of the scheme. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Groups.

Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a current cap of monthly relevant income of HK\$30,000. Contributions to the scheme vest immediately upon the completion of the services in the relevant service period.

Forfeited contributions totaling HK\$16 million (2020: HK\$8 million) were utilized during the year ended December 31, 2021 to reduce contributions and no forfeited contribution (2020: nil) was available as at December 31, 2021.

30 EMPLOYEE BENEFITS (CONTINUED)

b. Equity compensation benefits

PCCW and the Groups operate the following share option schemes and share award schemes:

Share option schemes

- Share option scheme of PCCW adopted on May 8, 2014 (the “PCCW 2014 Scheme”).
- Share Stapled Units option scheme of the HKT Trust and the Company conditionally adopted on November 7, 2011 and terminated on May 7, 2021 (the “2011-2021 Option Scheme”), and a new Share Stapled Units option scheme of the HKT Trust and the Company adopted on May 7, 2021 (the “2021-2031 Option Scheme”).

Share award schemes

- Share award schemes of PCCW namely the PCCW Purchase Scheme and the PCCW Subscription Scheme (collectively the “PCCW Share Award Schemes”).
- Share Stapled Units award schemes of the Company namely the HKT Share Stapled Units Purchase Scheme and the HKT Share Stapled Units Subscription Scheme (collectively the “Share Stapled Units Award Schemes”).

The details of the 2011-2021 Option Scheme, the 2021-2031 Option Scheme and the Share Stapled Units Award Schemes are disclosed under sections “Share Stapled Units Option Scheme” and “Share Stapled Units Award Schemes” in the Combined Report of the Directors of the 2021 Annual Report of the HKT Trust and the Company.

i. Share option schemes

No share options/Share Stapled Unit options have been granted under the PCCW 2014 Scheme, the 2011-2021 Option Scheme and the 2021-2031 Option Scheme since their adoption and up to and including its date of termination (in respect of the 2011-2021 Option Scheme) and December 31, 2021 (in respect of the PCCW 2014 Scheme and the 2021-2031 Option Scheme).

ii. Share award schemes

Subject to the relevant scheme rules of the PCCW Share Award Schemes and the Share Stapled Units Award Schemes, each scheme provides that prior to the vesting of the awards under the relevant schemes to selected participants (including any director or employee of PCCW and its participating companies for the PCCW Share Award Schemes, and any director or employee of the Company or any of its subsidiaries for the Share Stapled Units Award Schemes), the relevant PCCW Shares/Share Stapled Units will be held in trust by the trustee for such selected participants, and will be vested over a period of time determined by the respective approving body, provided that each selected participant shall remain at all times up to and including the relevant vesting date (or, as the case may be, each relevant vesting date) an employee or a director of PCCW, the Company, the relevant participating company or subsidiary, and satisfies any other conditions specified at the time the award is made, notwithstanding that the respective approving body shall be at liberty to waive such conditions. Other than satisfying the vesting conditions, selected participants are not required to provide any consideration in order to acquire the PCCW Shares/Share Stapled Units awarded to him/her under the relevant schemes.

During the year ended December 31, 2021, share-based compensation expenses in respect of the PCCW Share Award Schemes of HK\$16 million (2020: HK\$19 million) were recognized in the consolidated income statement and as an obligation in liabilities in the consolidated statement of financial position, respectively.

During the year ended December 31, 2021, share-based compensation expenses in respect of the Share Stapled Units Award Schemes of HK\$17 million (2020: HK\$20 million) were recognized in the consolidated income statement and employee share-based compensation reserve in the consolidated statement of financial position, respectively.

December 31, 2021

30 EMPLOYEE BENEFITS (CONTINUED)**b. Equity compensation benefits (continued)****ii. Share award schemes (continued)**

(1) Movements in the number of PCCW Shares held under the PCCW Share Award Schemes and the Share Stapled Units held under the Share Stapled Units Award Schemes

| | Number of PCCW Shares | |
|---|----------------------------------|-------------|
| | 2020 | 2021 |
| PCCW Purchase Scheme: | | |
| Beginning of year | 1,081,428 | 542,519 |
| Purchase from the market by the trustee at weighted average market price of HK\$4.24 (2020: HK\$4.72) per PCCW Share | 542,000 | 1,619,000 |
| PCCW Shares vested | (1,080,909) | (1,069,882) |
| End of year | 542,519 | 1,091,637 |
| PCCW Subscription Scheme: | | |
| Beginning of year | 1,797,145 | 6,542,639 |
| PCCW Shares obtained | 7,500,000 | – |
| PCCW Shares vested | (2,754,506) | (2,738,753) |
| End of year | 6,542,639 | 3,803,886 |
| | Number of Share Stapled Units | |
| | 2020 | 2021 |
| HKT Share Stapled Units Purchase Scheme: | | |
| Beginning of year | 1,227,922 | 412,250 |
| Purchase from the market by the trustee at weighted average market price of HK\$10.85 (2020: HK\$11.56) per Share Stapled Unit | 379,000 | 429,000 |
| Share Stapled Units vested | (1,194,672) | (411,525) |
| End of year | 412,250 | 429,725 |
| HKT Share Stapled Units Subscription Scheme: | | |
| Beginning of year | – | 3,438,886 |
| New Share Stapled Units jointly issued by the HKT Trust and the Company at issue price of HK\$11.86 per Share Stapled Unit | 4,000,000 | – |
| Share Stapled Units vested | (561,114) | (1,070,697) |
| End of year | 3,438,886 | 2,368,189 |

30 EMPLOYEE BENEFITS (CONTINUED)

b. Equity compensation benefits (continued)

ii. Share award schemes (continued)

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award

| Date of award | Vesting period | Fair value on the date of award HK\$ | 2020 Number of PCCW Shares | | | | As at December 31, 2020 |
|---|-------------------------------------|---|-------------------------------|-----------|-----------|-------------|-------------------------------|
| | | | As at January 1, 2020 | Awarded | Forfeited | Vested | |
| PCCW Purchase Scheme (PCCW Shares) | | | | | | | |
| April 10, 2018 | April 10, 2018 to April 10, 2020 | 4.66 | 538,444 | – | – | (538,444) | – |
| April 17, 2019 | April 17, 2019 to April 17, 2020 | 4.74 | 542,465 | – | – | (542,465) | – |
| April 17, 2019 | April 17, 2019 to April 17, 2021 | 4.74 | 542,457 | – | – | – | 542,457 |
| April 16, 2020 | April 16, 2020 to April 16, 2021 | 4.64 | – | 527,425 | – | – | 527,425 |
| April 16, 2020 | April 16, 2020 to April 16, 2022 | 4.64 | – | 527,418 | – | – | 527,418 |
| Total | | | 1,623,366 | 1,054,843 | – | (1,080,909) | 1,597,300 |
| Weighted average fair value on the date of award (HK\$) | | | 4.71 | 4.64 | – | 4.70 | 4.67 |
| PCCW Subscription Scheme (PCCW Shares) | | | | | | | |
| April 10, 2018 | April 10, 2018 to April 10, 2020 | 4.66 | 1,356,874 | – | (14,825) | (1,342,049) | – |
| April 17, 2019 | April 17, 2019 to April 17, 2020 | 4.74 | 1,393,928 | – | (17,344) | (1,376,584) | – |
| April 17, 2019 | April 17, 2019 to April 17, 2021 | 4.74 | 1,392,850 | – | (57,671) | – | 1,335,179 |
| February 28, 2020 | February 28, 2020 to April 17, 2020 | 4.69 | – | 35,873 | – | (35,873) | – |
| February 28, 2020 | February 28, 2020 to April 17, 2021 | 4.69 | – | 35,873 | – | – | 35,873 |
| February 28, 2020 | February 28, 2020 to April 17, 2022 | 4.69 | – | 9,612 | – | – | 9,612 |
| February 28, 2020 | February 28, 2020 to April 17, 2023 | 4.69 | – | 9,610 | – | – | 9,610 |
| April 16, 2020 | April 16, 2020 to April 16, 2021 | 4.64 | – | 1,474,991 | (49,843) | – | 1,425,148 |
| April 16, 2020 | April 16, 2020 to April 16, 2022 | 4.64 | – | 1,473,905 | (49,784) | – | 1,424,121 |
| May 11, 2020 | May 11, 2020 to April 16, 2021 | 4.77 | – | 40,900 | – | – | 40,900 |
| May 11, 2020 | May 11, 2020 to April 16, 2022 | 4.77 | – | 40,900 | – | – | 40,900 |
| May 11, 2020 | May 11, 2020 to April 16, 2023 | 4.77 | – | 20,448 | – | – | 20,448 |
| Total | | | 4,143,652 | 3,142,112 | (189,467) | (2,754,506) | 4,341,791 |
| Weighted average fair value on the date of award (HK\$) | | | 4.71 | 4.65 | 4.68 | 4.70 | 4.67 |

December 31, 2021

30 EMPLOYEE BENEFITS (CONTINUED)**b. Equity compensation benefits (continued)****ii. Share award schemes (continued)**

(2) Movements in the number of unvested PCCW Shares and Share Staped Units and their related weighted average fair value on the date of award (continued)

| Date of award | Vesting period | Fair value on the date of award HK\$ | As at January 1, 2020 | 2020 Number of Share Staped Units | | | As at December 31, 2020 |
|---|--------------------------------------|---|-----------------------------|--------------------------------------|-----------|-------------|-------------------------------|
| | | | | Awarded | Forfeited | Vested | |
| HKT Share Staped Units Purchase Scheme (Share Staped Units) | | | | | | | |
| April 10, 2018 | April 10, 2018 to April 10, 2020 | 9.94 | 880,219 | – | (9,393) | (870,826) | – |
| May 4, 2018 | May 4, 2018 to April 10, 2020 | 10.40 | 100,000 | – | – | (100,000) | – |
| October 5, 2018 | October 5, 2018 to October 5, 2020 | 10.34 | 15,000 | – | (15,000) | – | – |
| November 5, 2018 | November 5, 2018 to November 5, 2020 | 10.66 | 15,000 | – | – | (15,000) | – |
| April 17, 2019 | April 17, 2019 to April 17, 2020 | 12.38 | 208,846 | – | – | (208,846) | – |
| April 17, 2019 | April 17, 2019 to April 17, 2021 | 12.38 | 208,839 | – | – | – | 208,839 |
| April 16, 2020 | April 16, 2020 to April 16, 2021 | 11.86 | – | 202,686 | – | – | 202,686 |
| April 16, 2020 | April 16, 2020 to April 16, 2022 | 11.86 | – | 202,676 | – | – | 202,676 |
| Total | | | 1,427,904 | 405,362 | (24,393) | (1,194,672) | 614,201 |
| Weighted average fair value on the date of award (HK\$) | | | 10.70 | 11.86 | 10.19 | 10.41 | 12.04 |
| HKT Share Staped Units Subscription Scheme (Share Staped Units) | | | | | | | |
| April 17, 2019 | April 17, 2019 to April 17, 2020 | 12.38 | 553,451 | – | (6,687) | (546,764) | – |
| April 17, 2019 | April 17, 2019 to April 17, 2021 | 12.38 | 552,366 | – | (22,202) | – | 530,164 |
| February 28, 2020 | February 28, 2020 to April 17, 2020 | 11.66 | – | 14,350 | – | (14,350) | – |
| February 28, 2020 | February 28, 2020 to April 17, 2021 | 11.66 | – | 14,349 | – | – | 14,349 |
| February 28, 2020 | February 28, 2020 to April 17, 2022 | 11.66 | – | 3,845 | – | – | 3,845 |
| February 28, 2020 | February 28, 2020 to April 17, 2023 | 11.66 | – | 3,844 | – | – | 3,844 |
| April 16, 2020 | April 16, 2020 to April 16, 2021 | 11.86 | – | 567,489 | (19,191) | – | 548,298 |
| April 16, 2020 | April 16, 2020 to April 16, 2022 | 11.86 | – | 566,382 | (19,131) | – | 547,251 |
| May 11, 2020 | May 11, 2020 to April 16, 2021 | 12.86 | – | 15,717 | – | – | 15,717 |
| May 11, 2020 | May 11, 2020 to April 16, 2022 | 12.86 | – | 15,717 | – | – | 15,717 |
| May 11, 2020 | May 11, 2020 to April 16, 2023 | 12.86 | – | 7,858 | – | – | 7,858 |
| Total | | | 1,105,817 | 1,209,551 | (67,211) | (561,114) | 1,687,043 |
| Weighted average fair value on the date of award (HK\$) | | | 12.38 | 11.89 | 12.08 | 12.36 | 12.04 |

30 EMPLOYEE BENEFITS (CONTINUED)

b. Equity compensation benefits (continued)

ii. Share award schemes (continued)

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award (continued)

| Date of award | Vesting period | Fair value on the date of award HK\$ | 2021 Number of PCCW Shares | | | As at December 31, 2021 | |
|---|-------------------------------------|---|-------------------------------|-----------|-----------|-------------------------------|-----------|
| | | | As at January 1, 2021 | Awarded | Forfeited | | Vested |
| PCCW Purchase Scheme (PCCW Shares) | | | | | | | |
| April 17, 2019 | April 17, 2019 to April 17, 2021 | 4.74 | 542,457 | - | - | (542,457) | - |
| April 16, 2020 | April 16, 2020 to April 16, 2021 | 4.64 | 527,425 | - | - | (527,425) | - |
| April 16, 2020 | April 16, 2020 to April 16, 2022 | 4.64 | 527,418 | - | (1,641) | - | 525,777 |
| April 16, 2021 | April 16, 2021 to April 16, 2022 | 4.53 | - | 564,051 | (1,634) | - | 562,417 |
| April 16, 2021 | April 16, 2021 to April 16, 2023 | 4.53 | - | 564,043 | (1,633) | - | 562,410 |
| Total | | | 1,597,300 | 1,128,094 | (4,908) | (1,069,882) | 1,650,604 |
| Weighted average fair value on the date of award (HK\$) | | | 4.67 | 4.53 | 4.57 | 4.69 | 4.57 |
| PCCW Subscription Scheme (PCCW Shares) | | | | | | | |
| April 17, 2019 | April 17, 2019 to April 17, 2021 | 4.74 | 1,335,179 | - | (25,495) | (1,309,684) | - |
| February 28, 2020 | February 28, 2020 to April 17, 2021 | 4.69 | 35,873 | - | - | (35,873) | - |
| February 28, 2020 | February 28, 2020 to April 17, 2022 | 4.69 | 9,612 | - | - | - | 9,612 |
| February 28, 2020 | February 28, 2020 to April 17, 2023 | 4.69 | 9,610 | - | - | - | 9,610 |
| April 16, 2020 | April 16, 2020 to April 16, 2021 | 4.64 | 1,425,148 | - | (31,952) | (1,393,196) | - |
| April 16, 2020 | April 16, 2020 to April 16, 2022 | 4.64 | 1,424,121 | - | (124,823) | - | 1,299,298 |
| May 11, 2020 | May 11, 2020 to April 16, 2021 | 4.77 | 40,900 | - | (40,900) | - | - |
| May 11, 2020 | May 11, 2020 to April 16, 2022 | 4.77 | 40,900 | - | - | - | 40,900 |
| May 11, 2020 | May 11, 2020 to April 16, 2023 | 4.77 | 20,448 | - | - | - | 20,448 |
| April 16, 2021 | April 16, 2021 to April 16, 2022 | 4.53 | - | 1,349,596 | (106,922) | - | 1,242,674 |
| April 16, 2021 | April 16, 2021 to April 16, 2023 | 4.53 | - | 1,348,621 | (106,815) | - | 1,241,806 |
| July 2, 2021 | July 2, 2021 to April 16, 2022 | 4.09 | - | 143,177 | - | - | 143,177 |
| July 2, 2021 | July 2, 2021 to April 16, 2023 | 4.09 | - | 143,177 | - | - | 143,177 |
| Total | | | 4,341,791 | 2,984,571 | (436,907) | (2,738,753) | 4,150,702 |
| Weighted average fair value on the date of award (HK\$) | | | 4.67 | 4.49 | 4.60 | 4.69 | 4.54 |

December 31, 2021

30 EMPLOYEE BENEFITS (CONTINUED)**b. Equity compensation benefits (continued)****ii. Share award schemes (continued)**

(2) Movements in the number of unvested PCCW Shares and Share Staped Units and their related weighted average fair value on the date of award (continued)

| Date of award | Vesting period | Fair value on the date of award HK\$ | 2021 Number of Share Staped Units | | | | As at December 31, 2021 |
|---|-------------------------------------|---|--------------------------------------|-----------|-----------|-------------|-------------------------------|
| | | | As at January 1, 2021 | Awarded | Forfeited | Vested | |
| HKT Share Staped Units Purchase Scheme (Share Staped Units) | | | | | | | |
| April 17, 2019 | April 17, 2019 to April 17, 2021 | 12.38 | 208,839 | – | – | (208,839) | – |
| April 16, 2020 | April 16, 2020 to April 16, 2021 | 11.86 | 202,686 | – | – | (202,686) | – |
| April 16, 2020 | April 16, 2020 to April 16, 2022 | 11.86 | 202,676 | – | (630) | – | 202,046 |
| April 16, 2021 | April 16, 2021 to April 16, 2022 | 11.06 | – | 226,945 | (658) | – | 226,287 |
| April 16, 2021 | April 16, 2021 to April 16, 2023 | 11.06 | – | 226,937 | (657) | – | 226,280 |
| Total | | | 614,201 | 453,882 | (1,945) | (411,525) | 654,613 |
| Weighted average fair value on the date of award (HK\$) | | | 12.04 | 11.06 | 11.32 | 12.12 | 11.31 |
| HKT Share Staped Units Subscription Scheme (Share Staped Units) | | | | | | | |
| April 17, 2019 | April 17, 2019 to April 17, 2021 | 12.38 | 530,164 | – | (9,816) | (520,348) | – |
| February 28, 2020 | February 28, 2020 to April 17, 2021 | 11.66 | 14,349 | – | – | (14,349) | – |
| February 28, 2020 | February 28, 2020 to April 17, 2022 | 11.66 | 3,845 | – | – | – | 3,845 |
| February 28, 2020 | February 28, 2020 to April 17, 2023 | 11.66 | 3,844 | – | – | – | 3,844 |
| April 16, 2020 | April 16, 2020 to April 16, 2021 | 11.86 | 548,298 | – | (12,298) | (536,000) | – |
| April 16, 2020 | April 16, 2020 to April 16, 2022 | 11.86 | 547,251 | – | (47,962) | – | 499,289 |
| May 11, 2020 | May 11, 2020 to April 16, 2021 | 12.86 | 15,717 | – | (15,717) | – | – |
| May 11, 2020 | May 11, 2020 to April 16, 2022 | 12.86 | 15,717 | – | – | – | 15,717 |
| May 11, 2020 | May 11, 2020 to April 16, 2023 | 12.86 | 7,858 | – | – | – | 7,858 |
| April 16, 2021 | April 16, 2021 to April 16, 2022 | 11.06 | – | 543,603 | (43,085) | – | 500,518 |
| April 16, 2021 | April 16, 2021 to April 16, 2023 | 11.06 | – | 542,615 | (42,976) | – | 499,639 |
| July 2, 2021 | July 2, 2021 to April 16, 2022 | 10.56 | – | 57,607 | – | – | 57,607 |
| July 2, 2021 | July 2, 2021 to April 16, 2023 | 10.56 | – | 57,606 | – | – | 57,606 |
| Total | | | 1,687,043 | 1,201,431 | (171,854) | (1,070,697) | 1,645,923 |
| Weighted average fair value on the date of award (HK\$) | | | 12.04 | 11.01 | 11.58 | 12.11 | 11.30 |

30 EMPLOYEE BENEFITS (CONTINUED)

b. Equity compensation benefits (continued)

ii. Share award schemes (continued)

(2) Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award (continued)

The fair values of the PCCW Shares and the Share Stapled Units awarded during the year on the dates of award are measured by the respective quoted market prices of the PCCW Shares and the Share Stapled Units at the respective award dates.

The PCCW Shares and the Share Stapled Units unvested had a weighted average remaining vesting period at the end of the reporting period as follows:

| | 2020 | 2021 |
|---|-----------|------------------|
| PCCW Purchase Scheme (PCCW Shares) | 0.62 year | 0.63 year |
| PCCW Subscription Scheme (PCCW Shares) | 0.64 year | 0.63 year |
| HKT Share Stapled Units Purchase Scheme (Share Stapled Units) | 0.62 year | 0.64 year |
| HKT Share Stapled Units Subscription Scheme (Share Stapled Units) | 0.64 year | 0.64 year |

31 EQUITY OF HKT LIMITED

a. Share capital of HKT Limited

| | 2020 | | 2021 | |
|--------------------------------------|------------------|-----------------------|-----------------------|-----------------------|
| | Number of shares | Nominal value HK\$ | Number of shares | Nominal value HK\$ |
| Authorized: | | | | |
| Ordinary shares of HK\$0.0005 each | | | | |
| Beginning and end of year | 20,000,000,000 | 10,000,000 | 20,000,000,000 | 10,000,000 |
| Preference shares of HK\$0.0005 each | | | | |
| Beginning and end of year | 20,000,000,000 | 10,000,000 | 20,000,000,000 | 10,000,000 |
| Issued and fully paid: | | | | |
| Ordinary shares of HK\$0.0005 each | | | | |
| Beginning of year | 7,571,742,334 | 3,785,871 | 7,575,742,334 | 3,787,871 |
| Issued during the year (note (i)) | 4,000,000 | 2,000 | – | – |
| End of year | 7,575,742,334 | 3,787,871 | 7,575,742,334 | 3,787,871 |
| Preference shares of HK\$0.0005 each | | | | |
| Beginning of year | 7,571,742,334 | 3,785,871 | 7,575,742,334 | 3,787,871 |
| Issued during the year (note (i)) | 4,000,000 | 2,000 | – | – |
| End of year | 7,575,742,334 | 3,787,871 | 7,575,742,334 | 3,787,871 |

(i) During the year ended December 31, 2020, the Company issued and allotted 4,000,000 new fully paid ordinary shares with nominal value of HK\$0.0005 per share and 4,000,000 new fully paid preference shares with nominal value of HK\$0.0005 per share respectively under general mandate for grant of awards pursuant to the HKT Share Stapled Units Subscription Scheme with a consideration of approximately HK\$48 million in total.

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31 EQUITY OF HKT LIMITED (CONTINUED)**b. Movements in reserves of the Company are as follows:**

| In HK\$ million | Share premium | 2020 | |
|---|---------------|------------------|---------|
| | | Retained profits | Total |
| As at January 1, 2020 | 35,113 | 375 | 35,488 |
| Total comprehensive income for the year | – | 5,232 | 5,232 |
| Issue of shares (<i>note 31(a)(i)</i>) | 48 | – | 48 |
| Dividend paid in respect of the previous year | – | (3,058) | (3,058) |
| Interim dividend declared and paid in respect of the current year | – | (2,280) | (2,280) |
| As at December 31, 2020 | 35,161 | 269 | 35,430 |

| In HK\$ million | Share premium | 2021 | |
|---|---------------|------------------|----------------|
| | | Retained profits | Total |
| As at January 1, 2021 | 35,161 | 269 | 35,430 |
| Total comprehensive income for the year | – | 5,174 | 5,174 |
| Dividend paid in respect of the previous year | – | (3,104) | (3,104) |
| Interim dividend declared and paid in respect of the current year | – | (2,326) | (2,326) |
| As at December 31, 2021 | 35,161 | 13 | 35,174 |

32 RESERVES

| In HK\$ million | 2020 | | | | | | | | | | |
|--|---------------|------------------------------|----------------|----------------|---|------------------------------|-----------------|--------------------------|----------------|------------------|---------|
| | Share premium | Capital contribution reserve | Merger reserve | Treasury stock | Employee share-based compensation reserve | Currency translation reserve | Hedging reserve | Costs of hedging reserve | Other reserves | Retained profits | Total |
| As at January 1, 2020 | 7,769 | 26,250 | (347) | (16) | 16 | 118 | 438 | (158) | 26 | 3,808 | 37,904 |
| Total comprehensive income/(loss) for the year | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | - | 5,303 | 5,303 |
| Other comprehensive income/(loss) | | | | | | | | | | | |
| Items that have been reclassified or may be reclassified subsequently to consolidated income statement: | | | | | | | | | | | |
| Exchange differences on translating foreign operations | - | - | - | - | - | 77 | - | - | - | - | 77 |
| Reclassification of currency translation reserve on disposal of subsidiaries | - | - | - | - | - | 5 | - | - | - | - | 5 |
| Cash flow hedges: | | | | | | | | | | | |
| - effective portion of changes in fair value | - | - | - | - | - | - | (268) | - | - | - | (268) |
| - transfer from equity to consolidated income statement | - | - | - | - | - | - | (89) | 7 | - | - | (82) |
| Costs of hedging | - | - | - | - | - | - | - | 181 | - | - | 181 |
| Total comprehensive income/(loss) for the year | - | - | - | - | - | 82 | (357) | 188 | - | 5,303 | 5,216 |
| Transactions with equity holders | | | | | | | | | | | |
| Issue of Share Stapled Units/shares of the Company under the HKT Share Stapled Units Subscription Scheme (note 31(a)(i)) | 48 | - | - | - | - | - | - | - | - | - | 48 |
| Purchase/subscription of Share Stapled Units under the Share Stapled Units Award Schemes | - | - | - | (52) | - | - | - | - | - | - | (52) |
| Receipt of PCCW Shares under the PCCW Subscription Scheme | - | - | - | - | - | - | - | - | 32 | - | 32 |
| Employee share-based compensation | - | - | - | - | 20 | - | - | - | - | - | 20 |
| Vesting of Share Stapled Units under the Share Stapled Units Award Schemes | - | - | - | 22 | (18) | - | - | - | - | (4) | - |
| Distribution/dividend for Share Stapled Units/shares of the Company granted under the Share Stapled Units Award Schemes | - | - | - | - | (2) | - | - | - | - | - | (2) |
| Distribution/dividend paid in respect of the previous year | - | - | - | - | - | - | - | - | - | (3,057) | (3,057) |
| Interim distribution/dividend declared and paid in respect of the current year | - | - | - | - | - | - | - | - | - | (2,279) | (2,279) |
| Total contributions by and distributions to equity holders | 48 | - | - | (30) | - | - | - | - | 32 | (5,340) | (5,290) |
| Reclassification of other reserve on disposal of subsidiaries | - | - | - | - | - | - | - | - | 30 | (30) | - |
| Total transactions with equity holders | 48 | - | - | (30) | - | - | - | - | 62 | (5,370) | (5,290) |
| As at December 31, 2020 | 7,817 | 26,250 | (347) | (46) | 16 | 200 | 81 | 30 | 88 | 3,741 | 37,830 |

December 31, 2021

32 RESERVES (CONTINUED)

| In HK\$ million | 2021 | | | | | | | | | | Total |
|---|---------------|------------------------------|----------------|----------------|---|------------------------------|-----------------|--------------------------|----------------|------------------|---------|
| | Share premium | Capital contribution reserve | Merger reserve | Treasury stock | Employee share-based compensation reserve | Currency translation reserve | Hedging reserve | Costs of hedging reserve | Other reserves | Retained profits | |
| As at January 1, 2021 | 7,817 | 26,250 | (347) | (46) | 16 | 200 | 81 | 30 | 88 | 3,741 | 37,830 |
| Total comprehensive income/(loss) for the year | | | | | | | | | | | |
| Profit for the year | - | - | - | - | - | - | - | - | - | 4,808 | 4,808 |
| Other comprehensive income/(loss) | | | | | | | | | | | |
| Items that have been reclassified or may be reclassified subsequently to consolidated income statement: | | | | | | | | | | | |
| Exchange differences on translating foreign operations | - | - | - | - | - | (38) | - | - | - | - | (38) |
| Cash flow hedges: | | | | | | | | | | | |
| - effective portion of changes in fair value | - | - | - | - | - | - | (2) | - | - | - | (2) |
| - transfer from equity to consolidated income statement | - | - | - | - | - | - | (4) | 12 | - | - | 8 |
| Costs of hedging | - | - | - | - | - | - | - | (55) | - | - | (55) |
| Total comprehensive income/(loss) for the year | - | - | - | - | - | (38) | (6) | (43) | - | 4,808 | 4,721 |
| Transactions with equity holders | | | | | | | | | | | |
| Purchase of Share Stapled Units under the Share Stapled Units Award Schemes | - | - | - | (5) | - | - | - | - | - | - | (5) |
| Employee share-based compensation | - | - | - | - | 17 | - | - | - | - | - | 17 |
| Vesting of Share Stapled Units under the Share Stapled Units Award Schemes | - | - | - | 18 | (17) | - | - | - | - | (1) | - |
| Distribution/dividend for Share Stapled Units/shares of the Company granted under the Share Stapled Units Award Schemes | - | - | - | - | (2) | - | - | - | - | - | (2) |
| Distribution/dividend paid in respect of the previous year | - | - | - | - | - | - | - | - | - | (3,103) | (3,103) |
| Interim distribution/dividend declared and paid in respect of the current year | - | - | - | - | - | - | - | - | - | (2,325) | (2,325) |
| Total transactions with equity holders | - | - | - | 13 | (2) | - | - | - | - | (5,429) | (5,418) |
| As at December 31, 2021 | 7,817 | 26,250 | (347) | (33) | 14 | 162 | 75 | (13) | 88 | 3,120 | 37,133 |

33 DEFERRED INCOME TAX

As at December 31, 2021, deferred income tax liabilities/(assets) represent:

| In HK\$ million | 2020 | 2021 |
|---------------------------------|-------|-------|
| Deferred income tax assets | (841) | (758) |
| Deferred income tax liabilities | 4,253 | 4,674 |
| | 3,412 | 3,916 |

a. Movements in deferred income tax liabilities/(assets) were as follows:

| In HK\$ million | 2020 | | | Total |
|--|---|------------|--------|-------|
| | Accelerated tax depreciation and amortization | Tax losses | Others | |
| Beginning of year | 3,898 | (430) | (4) | 3,464 |
| Additions upon business combination | 112 | (592) | – | (480) |
| Disposal of subsidiaries | – | 8 | – | 8 |
| Charged to the consolidated income statement (note 13(a)) | 356 | 64 | 1 | 421 |
| Exchange difference | (1) | – | – | (1) |
| End of year | 4,365 | (950) | (3) | 3,412 |

| In HK\$ million | 2021 | | | Total |
|--|---|------------|--------|-------|
| | Accelerated tax depreciation and amortization | Tax losses | Others | |
| Beginning of year | 4,365 | (950) | (3) | 3,412 |
| Charged to the consolidated income statement (note 13(a)) | 425 | 80 | – | 505 |
| Exchange difference | – | (1) | – | (1) |
| End of year | 4,790 | (871) | (3) | 3,916 |

b. Deferred income tax assets are recognized for tax losses carry-forward to the extent that realization of the related tax benefit through utilization against future taxable profits is probable. As at December 31, 2021, the Groups had unutilized estimated tax losses for which no deferred income tax assets have been recognized of HK\$5,175 million (2020: HK\$4,635 million) to carry forward for deduction against future taxable income. Estimated tax losses of HK\$186 million (2020: HK\$172 million) and HK\$46 million (2020: HK\$37 million) will expire within 1 to 5 years and after 5 years from December 31, 2021 respectively. The remaining portion of the tax losses, mainly relating to Hong Kong companies, can be carried-forward indefinitely.

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34 CARRIER LICENCE FEE LIABILITIES

As at December 31, 2021, the Groups had carrier licence fee liabilities payable as follows:

| In HK\$ million | Present value of the minimum annual fees | 2020 Interest expense relating to future periods | Total minimum annual fees | Present value of the minimum annual fees | 2021 Interest expense relating to future periods | Total minimum annual fees |
|--|--|--|---------------------------|--|--|---------------------------|
| Payable within a period | | | | | | |
| – not exceeding one year | 215 | 7 | 222 | 315 | 5 | 320 |
| – over one year, but not exceeding two years | 88 | 6 | 94 | 311 | 14 | 325 |
| – over two years, but not exceeding five years | 210 | 25 | 235 | 837 | 78 | 915 |
| – over five years | 329 | 86 | 415 | 2,301 | 609 | 2,910 |
| | 842 | 124 | 966 | 3,764 | 706 | 4,470 |
| Less: amounts payable within one year included under current liabilities | (215) | (7) | (222) | (315) | (5) | (320) |
| Non-current portion | 627 | 117 | 744 | 3,449 | 701 | 4,150 |

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a. Reconciliation of profit before income tax to net cash generated from operating activities

| In HK\$ million | 2020 | 2021 |
|---|---------------|---------------|
| Profit before income tax | 6,174 | 5,819 |
| Adjustments for: | | |
| Other (gains)/losses, net | (361) | 8 |
| Finance costs, net | 1,296 | 1,148 |
| Gains on disposal of property, plant and equipment and right-of-use assets, net | (2) | (24) |
| Write-back of provision for inventory obsolescence, net | (16) | (8) |
| Impairment loss for trade receivables | 256 | 174 |
| Depreciation of property, plant and equipment | 1,118 | 1,234 |
| Depreciation of right-of-use assets | 1,477 | 1,477 |
| Amortization of land lease premium – interests in leasehold land | 13 | 13 |
| Amortization of intangible assets | 1,327 | 1,500 |
| Amortization of fulfillment costs | 481 | 393 |
| Amortization of customer acquisition costs | 925 | 1,035 |
| Share of results of associates | 68 | 115 |
| Share of results of joint ventures | 11 | 15 |
| Share-based compensation expenses | 39 | 33 |
| Increase in PCCW Shares and Share Stapled Units under share award schemes | (55) | (12) |
| Decrease/(Increase) in operating assets | | |
| – inventories | 44 | (390) |
| – trade receivables, prepayments, deposits and other current assets | 96 | (942) |
| – contract assets | (101) | (62) |
| – amounts due from related companies | 16 | (10) |
| – restricted cash | 8 | (80) |
| – fulfillment costs | (517) | (487) |
| – customer acquisition costs | (851) | (1,149) |
| – other non-current assets | 10 | 30 |
| Increase/(Decrease) in operating liabilities | | |
| – trade payables | 1,596 | 1,304 |
| – accruals and other payables | (290) | 200 |
| – amount due to a fellow subsidiary | (1,746) | (924) |
| – amount due to a related company | 9 | – |
| – advances from customers | (56) | 23 |
| – contract liabilities | 78 | 175 |
| – other long-term liabilities | (13) | (10) |
| CASH GENERATED FROM OPERATIONS | 11,034 | 10,598 |
| Interest received | 22 | 16 |
| Income tax paid, net of tax refund | | |
| – Hong Kong profits tax (paid)/refund* | (495) | 63 |
| – overseas profits tax paid | (21) | (36) |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | 10,540 | 10,641 |

* As at December 31, 2020 and 2021, certain subsidiaries of the Groups had not yet received the Hong Kong profits tax assessments for the tax assessment year 2019/20 and/or 2020/21, such that any corresponding tax charge settlement would be deferred to upcoming financial years.

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35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**b. Movements of financial (assets)/liabilities arising from financing activities**

Movements of financial (assets)/liabilities arising from financing activities are as follows:

| In HK\$ million | 2020 | | | | | | | Total |
|--|--|--|------------|---------------------------------------|-----------------------------------|-------------------|----------|-------|
| | Prepaid finance costs (included in prepayments, deposits and other current assets) | Interest payable (included in accruals and other payables) | Borrowings | Derivative financial instruments, net | Amount due to a fellow subsidiary | Lease liabilities | | |
| As at January 1, 2020 | (20) | 251 | 40,358 | (252) | 2,855 | 2,762 | 45,954 | |
| Cash flows in financing activities | | | | | | | | |
| New borrowings raised | - | 10 | 19,501 | - | - | - | 19,511 | |
| Finance costs (paid)/received | - | (1,011) | - | 239 | - | - | (772) | |
| Repayments of borrowings | - | - | (17,693) | - | - | - | (17,693) | |
| Payment for lease liabilities (including interest) | - | - | - | - | - | (1,590) | (1,590) | |
| Movement in amount due to a fellow subsidiary | - | - | - | - | 1,575 | - | 1,575 | |
| Cash flows in investing activities | | | | | | | | |
| Loan repayment in relation to licence fee (note 37(b)(i)) | - | - | (130) | - | - | - | (130) | |
| Cash flows in operating activities | | | | | | | | |
| Non-cash movements | (5) | 956 | 235 | (49) | (1,099) | 1,537 | 1,575 | |
| As at December 31, 2020 | (25) | 206 | 42,271 | (62) | 1,585 | 2,709 | 46,684 | |

35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

b. Movements of financial (assets)/liabilities arising from financing activities (continued)

Movements of financial (assets)/liabilities arising from financing activities are as follows: (continued)

| In HK\$ million | 2021 | | | | | | | |
|---|--|--|------------|---------------------------------------|-----------------------------------|---------------------------------|-------------------|----------|
| | Prepaid finance costs (included in prepayments, deposits and other current assets) | Interest payable (included in accruals and other payables) | Borrowings | Derivative financial instruments, net | Amount due to a fellow subsidiary | Amount due to a related company | Lease liabilities | Total |
| As at January 1, 2021 | (25) | 206 | 42,271 | (62) | 1,585 | 42 | 2,709 | 46,726 |
| Cash flows in financing activities | | | | | | | | |
| New borrowings raised | - | (25) | 15,937 | - | - | - | - | 15,912 |
| Finance costs (paid)/received | - | (822) | - | 206 | - | - | - | (616) |
| Repayments of borrowings | - | - | (14,468) | - | - | - | - | (14,468) |
| Payment for lease liabilities (including interest) | - | - | - | - | - | - | (1,624) | (1,624) |
| Movement in amount due to a fellow subsidiary | - | - | - | - | 1,305 | - | - | 1,305 |
| Movement in amount due to a related company | - | - | - | - | - | 22 | - | 22 |
| Cash flows in investing activities | | | | | | | | |
| Loan repayment in relation to licence fee (note 37(b)(i)) | - | - | (130) | - | - | - | - | (130) |
| Addition upon business combination | - | - | - | - | 2 | - | - | 2 |
| Cash flows in operating activities | - | - | - | - | (924) | - | - | (924) |
| Non-cash movements | 16 | 852 | 79 | (147) | (6) | 1 | 1,100 | 1,895 |
| As at December 31, 2021 | (9) | 211 | 43,689 | (3) | 1,962 | 65 | 2,185 | 48,100 |

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35 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**c. Analysis of cash and cash equivalents**

| In HK\$ million | 2020 | 2021 |
|--|-------|--------------|
| Total cash and bank balances | 2,737 | 3,070 |
| Less: restricted cash | (107) | (187) |
| Less: short-term deposits | (538) | (472) |
| Cash and cash equivalents as at December 31, | 2,092 | 2,411 |

36 CAPITAL MANAGEMENT

The Groups' primary objectives when managing capital are to safeguard the Groups' ability to continue as a going concern, so that they can continue to provide returns for equity holders of the Groups and benefits for other stakeholders to support the Groups' stability and growth; and to earn a margin commensurate with the level of business and market risks in the Groups' operation.

The Groups monitor capital by reviewing the level of capital that is at the disposal of the Groups ("Adjusted Capital"), taking into consideration the future capital requirements of the Groups, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Adjusted Capital comprises all components of equity.

The Groups are not subject to externally imposed capital requirements, except for the debt covenant requirement of loan agreements with external parties and the minimum capital requirement of a subsidiary regulated by the Bermuda Monetary Authority. A subsidiary of the Groups also has a minimum capital requirement as a condition for a stored value facilities licence granted by the Hong Kong Monetary Authority.

37 FINANCIAL INSTRUMENTS

The tables below analyze financial instruments by category:

| In HK\$ million | 2020 | | | | Total |
|--|------------------------------------|---------------------------|--------------------------|------------------------------|--------------|
| | Financial assets at amortized cost | Financial assets at FVOCI | Financial assets at FVPL | Derivatives used for hedging | |
| Non-current assets | | | | | |
| Financial assets at FVOCI | – | 124 | – | – | 124 |
| Financial assets at FVPL | – | – | 49 | – | 49 |
| Derivative financial instruments | – | – | – | 214 | 214 |
| Other non-current assets (excluding prepayments) | 312 | – | – | – | 312 |
| | 312 | 124 | 49 | 214 | 699 |
| Current assets | | | | | |
| Prepayments, deposits and other current assets (excluding prepayments) | 1,383 | – | – | – | 1,383 |
| Trade receivables, net | 3,253 | – | – | – | 3,253 |
| Amounts due from related companies | 40 | – | – | – | 40 |
| Financial assets at FVPL | – | – | 16 | – | 16 |
| Restricted cash | 107 | – | – | – | 107 |
| Short-term deposits | 538 | – | – | – | 538 |
| Cash and cash equivalents | 2,092 | – | – | – | 2,092 |
| | 7,413 | – | 16 | – | 7,429 |
| Total | 7,725 | 124 | 65 | 214 | 8,128 |

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37 FINANCIAL INSTRUMENTS (CONTINUED)

The tables below analyze financial instruments by category: (continued)

| In HK\$ million | Derivatives used for hedging | 2020 | | Total |
|-----------------------------------|------------------------------------|------------------------|---|-----------------|
| | | Derivatives at FVPL | Other financial liabilities at amortized cost | |
| Current liabilities | | | | |
| Short-term borrowings | – | – | (1,552) | (1,552) |
| Trade payables | – | – | (3,945) | (3,945) |
| Accruals and other payables | – | – | (4,066) | (4,066) |
| Derivative financial instruments | (21) | (3) | – | (24) |
| Carrier licence fee liabilities | – | – | (215) | (215) |
| Amount due to a fellow subsidiary | – | – | (1,585) | (1,585) |
| Amount due to a related company | – | – | (42) | (42) |
| Advances from customers | – | – | (247) | (247) |
| Lease liabilities | – | – | (1,251) | (1,251) |
| | (21) | (3) | (12,903) | (12,927) |
| Non-current liabilities | | | | |
| Long-term borrowings | – | – | (40,719) | (40,719) |
| Derivative financial instruments* | (128) | – | – | (128) |
| Carrier licence fee liabilities | – | – | (627) | (627) |
| Lease liabilities | – | – | (1,458) | (1,458) |
| Other long-term liabilities | – | – | (1,628) | (1,628) |
| | (128) | – | (44,432) | (44,560) |
| Total | (149) | (3) | (57,335) | (57,487) |

37 FINANCIAL INSTRUMENTS (CONTINUED)

The tables below analyze financial instruments by category: (continued)

| In HK\$ million | 2021 | | | | Total |
|--|------------------------------------|---------------------------|--------------------------|------------------------------|-------|
| | Financial assets at amortized cost | Financial assets at FVOCI | Financial assets at FVPL | Derivatives used for hedging | |
| Non-current assets | | | | | |
| Financial assets at FVOCI | – | 124 | – | – | 124 |
| Financial assets at FVPL | – | – | 38 | – | 38 |
| Derivative financial instruments | – | – | – | 131 | 131 |
| Other non-current assets (excluding prepayments) | 110 | – | – | – | 110 |
| | 110 | 124 | 38 | 131 | 403 |
| Current assets | | | | | |
| Prepayments, deposits and other current assets (excluding prepayments) | 1,356 | – | – | – | 1,356 |
| Trade receivables, net | 3,953 | – | – | – | 3,953 |
| Amounts due from related companies | 31 | – | – | – | 31 |
| Financial assets at FVPL | – | – | 15 | – | 15 |
| Restricted cash | 187 | – | – | – | 187 |
| Short-term deposits | 472 | – | – | – | 472 |
| Cash and cash equivalents | 2,411 | – | – | – | 2,411 |
| | 8,410 | – | 15 | – | 8,425 |
| Total | 8,520 | 124 | 53 | 131 | 8,828 |

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37 FINANCIAL INSTRUMENTS (CONTINUED)

The tables below analyze financial instruments by category: (continued)

| In HK\$ million | Derivatives used for hedging | 2021 Other financial liabilities at amortized cost | Total |
|-----------------------------------|------------------------------------|---|-----------------|
| Current liabilities | | | |
| Short-term borrowings | – | (61) | (61) |
| Trade payables | – | (5,250) | (5,250) |
| Accruals and other payables | – | (4,206) | (4,206) |
| Carrier licence fee liabilities | – | (315) | (315) |
| Amount due to a fellow subsidiary | – | (1,962) | (1,962) |
| Amount due to a related company | – | (65) | (65) |
| Advances from customers | – | (270) | (270) |
| Lease liabilities | – | (1,023) | (1,023) |
| | – | (13,152) | (13,152) |
| Non-current liabilities | | | |
| Long-term borrowings | – | (43,628) | (43,628) |
| Derivative financial instruments* | (128) | – | (128) |
| Carrier licence fee liabilities | – | (3,449) | (3,449) |
| Lease liabilities | – | (1,162) | (1,162) |
| Other long-term liabilities | – | (1,999) | (1,999) |
| | (128) | (50,238) | (50,366) |
| Total | (128) | (63,390) | (63,518) |

* As at December 31, 2021, derivative financial instruments classified as non-current liabilities of HK\$22 million (2020: HK\$36 million) related to foreign exchange forward contracts with an aggregate notional contract amount of US\$470 million (approximately HK\$3,686 million) (2020: US\$470 million (approximately HK\$3,686 million)) were designated as cash flow hedges of US\$300 million zero coupon guaranteed notes due 2030. The US\$300 million guaranteed notes may be redeemed at the option of the Groups on January 15, 2025 at an early redemption amount of US\$470 million (2020: US\$470 million). Refer to notes 28(b) and 29(a) for details of the guaranteed notes and the foreign exchange forward contracts respectively.

37 FINANCIAL INSTRUMENTS (CONTINUED)

Exposure to credit, liquidity and market risk (including foreign currency risk and interest rate risk) arises in the normal course of the Groups' business. The Groups are also exposed to equity price risk arising from their equity investments in other entities. Exposure to these risks is controlled by the Groups' financial management policies and practices described below.

a. Credit risk

The Groups' credit risk is primarily attributable to cash and cash equivalents, short-term deposits, restricted cash, trade receivables, contract assets, amounts due from related companies, interest receivable, lease receivables, investments in debt instruments, derivative financial instruments, deposits and other receivables. Management has policies in place and exposure to these credit risks is monitored on an ongoing basis.

The Groups' 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 Groups maintain 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. Normally, the Groups do not obtain collateral from customers. As at December 31, 2020 and 2021, the Groups did not have a significant exposure to any individual debtors or counterparties.

Further quantitative disclosures in respect of the Groups' exposure to credit risk arising from trade receivables are set out in note 27(c).

The overall impact of impairment of the contract assets on the HKT Trust and HKT Limited consolidated financial statements is considered by management. Management considered the lifetime expected losses with respect to these contract assets were minimal as at December 31, 2020 and 2021 and the Groups made no write-off or provision for these contract assets during the years ended December 31, 2020 and 2021.

Investments in debt instruments, amounts due from related companies, lease receivables, deposits and other receivables are considered to have low credit risk. These assets are continuously monitored by assessing the credit quality of the counterparty, taking into account its financial position, past experience and other factors. Where necessary, provision for impairment loss is made for estimated irrecoverable amounts. As at December 31, 2020 and 2021, investments in debt instruments, amounts due from related companies, lease receivables, deposits and other receivables were fully performing.

Derivative financial instruments, interest receivable, restricted cash, short-term deposits and cash and cash equivalents are considered to have low credit risk. These assets are executed with creditworthy financial institutions or investment counterparties and the Groups do not expect any significant counterparty risk. Moreover, credit limits are set for individual counterparties and periodic reviews are conducted to ensure that the limits are strictly followed.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the consolidated statement of financial position. Except for the guarantees given by the Groups as disclosed in note 39, the Groups do not provide any other guarantees which would expose the Groups to credit risk.

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37 FINANCIAL INSTRUMENTS (CONTINUED)**b. Liquidity risk**

The Groups' policy is to regularly monitor current and expected liquidity requirements and their compliance with debt covenants, to ensure that they maintain sufficient reserves of cash and adequate lines of funding from major financial institutions to meet their liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Groups have sufficient cash and banking facilities to fund their operations and debt servicing requirements.

The Groups are subject to certain corporate guarantee obligations to guarantee performance of their subsidiaries in the normal course of their businesses. Refer to note 39 for details.

The following tables detail the remaining contractual maturities at the end of the reporting periods of the Groups' non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Groups can be required to pay:

| In HK\$ million | 2020 | | | | Total contractual undiscounted cash outflow | Carrying amount |
|---|----------------------------------|---|--|----------------------|--|--------------------|
| | Within 1 year or on demand | More than 1 year but within 2 years | More than 2 years but within 5 years | More than 5 years | | |
| Current liabilities | | | | | | |
| Short-term borrowings | (1,561) | – | – | – | (1,561) | (1,552) |
| Trade payables | (3,945) | – | – | – | (3,945) | (3,945) |
| Accruals and other payables | (4,066) | – | – | – | (4,066) | (4,066) |
| Derivative financial instruments | (24) | – | – | – | (24) | (24) |
| Carrier licence fee liabilities | (222) | – | – | – | (222) | (215) |
| Amount due to a fellow subsidiary | (1,585) | – | – | – | (1,585) | (1,585) |
| Amount due to a related company | (42) | – | – | – | (42) | (42) |
| Advances from customers | (247) | – | – | – | (247) | (247) |
| Lease liabilities | (1,265) | – | – | – | (1,265) | (1,251) |
| | (12,957) | – | – | – | (12,957) | (12,927) |
| Non-current liabilities | | | | | | |
| Long-term borrowings (note (i)) | (629) | (3,246) | (26,014) | (14,478) | (44,367) | (40,719) |
| Derivative financial instruments (note (ii)) | 11 | 11 | (104) | (12) | (94) | (128) |
| Carrier licence fee liabilities | – | (94) | (235) | (415) | (744) | (627) |
| Lease liabilities | – | (671) | (716) | (86) | (1,473) | (1,458) |
| Other long-term liabilities (note (iii)) | – | (65) | (798) | (3,215) | (4,078) | (1,628) |
| | (618) | (4,065) | (27,867) | (18,206) | (50,756) | (44,560) |
| Total | (13,575) | (4,065) | (27,867) | (18,206) | (63,713) | (57,487) |

37 FINANCIAL INSTRUMENTS (CONTINUED)

b. Liquidity risk (continued)

| In HK\$ million | 2021 | | | | Total contractual undiscounted cash outflow | Carrying amount |
|--|----------------------------|-------------------------------------|--------------------------------------|-------------------|---|-----------------|
| | Within 1 year or on demand | More than 1 year but within 2 years | More than 2 years but within 5 years | More than 5 years | | |
| Current liabilities | | | | | | |
| Short-term borrowings | (63) | – | – | – | (63) | (61) |
| Trade payables | (5,250) | – | – | – | (5,250) | (5,250) |
| Accruals and other payables | (4,206) | – | – | – | (4,206) | (4,206) |
| Carrier licence fee liabilities | (320) | – | – | – | (320) | (315) |
| Amount due to a fellow subsidiary | (1,962) | – | – | – | (1,962) | (1,962) |
| Amount due to a related company | (65) | – | – | – | (65) | (65) |
| Advances from customers | (270) | – | – | – | (270) | (270) |
| Lease liabilities | (1,068) | – | – | – | (1,068) | (1,023) |
| | (13,204) | – | – | – | (13,204) | (13,152) |
| Non-current liabilities | | | | | | |
| Long-term borrowings (note (i)) | (643) | (10,390) | (27,515) | (8,346) | (46,894) | (43,628) |
| Derivative financial instruments (note (ii)) | 12 | (107) | 1 | (14) | (108) | (128) |
| Carrier licence fee liabilities | – | (325) | (915) | (2,910) | (4,150) | (3,449) |
| Lease liabilities | – | (610) | (579) | (19) | (1,208) | (1,162) |
| Other long-term liabilities (note (iii)) | – | (773) | (46) | (3,267) | (4,086) | (1,999) |
| | (631) | (12,205) | (29,054) | (14,556) | (56,446) | (50,366) |
| Total | (13,835) | (12,205) | (29,054) | (14,556) | (69,650) | (63,518) |

Notes:

- (i) As at December 31, 2021, bank borrowings of HK\$1,300 million (2020: HK\$1,430 million) included in long-term borrowings were outstanding for financing a 15-year 3G spectrum utilization fee paid upfront by the Groups.
- (ii) As at December 31, 2021, derivative financial instruments included HK\$78 million (2020: HK\$49 million) of long-term interest payable, which related to interest drawn under an arrangement with a bank to receive agreed amounts by installments to settle interest payments of a floating-to-fixed interest rate swap contract with a notional contract amount of HK\$1,000 million (2020: HK\$1,000 million).
- (iii) As at December 31, 2021, other long-term liabilities included HK\$455 million (2020: HK\$378 million) of long-term interest payable, which related to interest drawn under an arrangement with a bank to receive agreed amounts by installments to settle interest payments of a fixed-to-fixed cross currency swap contract with a notional contract amount of EUR200 million (approximately HK\$1,665 million) (2020: EUR200 million (approximately HK\$1,665 million)) and included HK\$547 million (2020: HK\$379 million) of long-term interest payable, which related to interest drawn under the arrangements with banks to receive agreed amounts by installments to settle interest payments of fixed-to-fixed cross currency swap contracts with an aggregate notional contract amount of US\$500 million (approximately HK\$3,879 million) (2020: US\$500 million (approximately HK\$3,879 million)). Refer to notes 28(d), 28(a) and 29(a) for details of the guaranteed notes and the derivative financial instruments respectively.

37 FINANCIAL INSTRUMENTS (CONTINUED)**c. Market risk**

Market risk comprises foreign currency, interest rate and equity price exposure deriving from the Groups' operation, investment and funding activities. As a matter of policy, the Groups enter into cross currency swap contracts, interest rate swap contracts, foreign exchange forward contracts and other financial instruments to manage their exposure to market risk directly related to their operations and financing. The Groups do not undertake any speculative trading activities in connection with these financial instruments or enter into or acquire high market risk instruments for trading purposes.

The Finance and Management Committee, a sub-committee of the Executive Committee of the board of directors of the Company, determines the appropriate risk management activities with the aim of prudently managing the market risk associated with transactions undertaken in the normal course of the Groups' business.

All treasury risk management activities are carried out in accordance with policies and guidelines approved by the Finance and Management Committee, which are reviewed on a regular basis. Early termination and amendments to the terms of the transaction would typically occur when there are changes in the underlying assets or liabilities or in the risk management strategy of the Groups.

In the normal course of business, the Groups use the above-mentioned financial instruments to limit their exposure to adverse fluctuations in foreign exchange rates and interest rates. These instruments are executed with creditworthy financial institutions and all contracts are denominated in major currencies.

i. Foreign currency risk

The Groups operate internationally and are exposed to foreign currency risk arising from various currency exposure. Foreign currency risk arises when the Groups' recognized assets and liabilities are denominated in a currency that is not the functional currency of the relevant group entity.

The Groups' borrowings are substantially denominated in Hong Kong dollars, United States dollars and Euro. As at December 31, 2020 and 2021, all of the Groups' borrowings denominated in United States dollars/Euro were swapped into Hong Kong dollars by cross currency swap contracts and foreign exchange forward contracts. Given this, management does not expect that there will be any significant foreign currency risk associated with the Groups' borrowings. The cross currency swap contracts and foreign exchange forward contracts outstanding as at December 31, 2021 with an aggregate notional contract amount of US\$2,720 million (approximately HK\$21,189 million) (2020: US\$2,220 million (approximately HK\$17,301 million)) and EUR200 million (approximately HK\$1,665 million) (2020: EUR200 million (approximately HK\$1,665 million)) were designated or re-designated as cash flow hedges against foreign currency risk.

In respect of trade receivables and payables held in currencies other than the functional currency of the operations to which they relate, the Groups ensure that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot or forward rates where necessary to address short-term imbalances.

37 FINANCIAL INSTRUMENTS (CONTINUED)

c. Market risk (continued)

i. Foreign currency risk (continued)

The following table details the Groups' exposure at the end of the reporting period to currency risk arising from significant monetary assets or liabilities denominated in foreign currencies:

| In HK\$ million | 2020 | | | 2021 | | |
|---|--------------------------|---------|-------------------|--------------------------|----------------|-------------------|
| | United States Dollars | Euro | Pound Sterling | United States Dollars | Euro | Pound Sterling |
| Trade receivables | 1,199 | 53 | 239 | 1,059 | 70 | 248 |
| Short-term deposits | – | – | – | 472 | – | – |
| Cash and cash equivalents | 677 | 40 | 23 | 931 | 69 | 13 |
| Trade payables | (2,739) | (67) | (5) | (3,247) | (72) | (4) |
| Advances from customers | (16) | (1) | (1) | (16) | (1) | (1) |
| Lease liabilities | (89) | (8) | (1) | (74) | (3) | (17) |
| Long-term borrowings | (19,592) | (1,878) | – | (19,745) | (1,752) | – |
| Gross exposure arising from net monetary (liabilities)/assets | (20,560) | (1,861) | 255 | (20,620) | (1,689) | 239 |
| Net monetary (assets)/liabilities denominated in respective entities' functional currencies | (159) | (7) | (2) | (86) | 2 | 6 |
| Borrowings with hedging instruments | 19,592 | 1,878 | – | 19,745 | 1,752 | – |
| Overall net exposure | (1,127) | 10 | 253 | (961) | 65 | 245 |

As at December 31, 2021, if the Hong Kong dollar had weakened/strengthened by 1% (2020: same) against the United States dollar, with all other variables held constant, the profit after tax of the Groups for the year would have decreased/increased by approximately HK\$8 million (2020: HK\$9 million), mainly as a result of foreign exchange losses/gains on translation of United States dollar denominated monetary assets and liabilities which are not hedged by hedging instruments. Meanwhile, the hedging reserve and costs of hedging reserve of the Groups as at December 31, 2021 would have collectively debited/credited by approximately HK\$197 million (2020: HK\$157 million), mainly as a result of foreign exchange losses/gains on the long-term borrowings being hedged by cross currency swap contracts and foreign exchange forward contracts.

As at December 31, 2021, if the Hong Kong dollar had weakened/strengthened by 5% (2020: same) against Euro, with all other variables held constant, the profit after tax of the Groups for the year would have increased/decreased by approximately HK\$3 million (2020: an immaterial amount), mainly as a result of foreign exchange gains/losses on translation of Euro denominated monetary assets and liabilities which are not hedged by hedging instruments. Meanwhile, the hedging reserve and costs of hedging reserve of the Groups as at December 31, 2021 would have collectively debited/credited by approximately HK\$88 million (2020: HK\$94 million), mainly as a result of foreign exchange losses/gains on the long-term borrowings being hedged by a cross currency swap contract.

As at December 31, 2021, if the Hong Kong dollar had weakened/strengthened by 5% (2020: same) against Pound Sterling, with all other variables held constant, the profit after tax of the Groups for the year would have increased/decreased by approximately HK\$10 million (2020: HK\$11 million), mainly as a result of foreign exchange gains/losses on translation of Pound Sterling denominated monetary assets and liabilities.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates occurred as at the end of the reporting period and applied to the Groups' exposure to currency risk for monetary assets and liabilities in existence at those dates, and that all other variables, in particular interest rates, remained constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in the movement in value of the United States dollar against other currencies. The analysis was performed on the same methodology for the years ended December 31, 2020 and 2021.

December 31, 2021

37 FINANCIAL INSTRUMENTS (CONTINUED)**c. Market risk (continued)****ii. Interest rate risk**

Given the relatively insignificant amount of interest-bearing assets, the Groups' income and operating cash flows are substantially independent of changes in market interest rates.

The Groups' interest rate risk arises primarily from short-term and long-term borrowings. Borrowings at variable rates and fixed rates expose the Groups to cash flow interest rate risk and fair value interest rate risk respectively. In addition, from time to time, the Groups draw under their revolving credit facilities which are substantially denominated in Hong Kong dollars with floating rate interest.

The Groups have entered into floating-to-fixed interest rate swap contracts to hedge the cash flow interest rate risk arising from certain floating rate short-term and long-term borrowings.

The following table details the interest rate profile of the Groups' borrowings at the end of the reporting period, after taking into account the effect of the cash flow hedging instruments:

| | 2020 | | 2021 | |
|--|---------------------------------|--------------|---------------------------------|---------------|
| | Effective interest rate % | HK\$ million | Effective interest rate % | HK\$ million |
| Net fixed rate borrowings: | | | | |
| Short-term bank borrowings with hedging instrument | 1.84 | 1,499 | – | – |
| Long-term borrowings | 3.80 | 3,850 | – | – |
| Long-term bank borrowings with hedging instruments | 2.46 | 2,927 | 2.71 | 993 |
| Long-term borrowings with hedging instruments | 3.74 | 17,620 | 3.76 | 21,497 |
| Variable rate borrowings: | | | | |
| Short-term bank borrowings | 5.68 | 53 | 5.47 | 61 |
| Long-term bank borrowings | 1.20 | 16,322 | 0.90 | 21,138 |
| Total borrowings | | 42,271 | | 43,689 |

As at December 31, 2021, if the interest rate on variable rate borrowings had increased/decreased by 50 basis points (2020: same), with all other variables held constant, the profit after tax of the Groups for the year would have decreased/increased by approximately HK\$89 million (2020: HK\$69 million), mainly as a result of higher/lower interest expense on floating rate borrowings in existence at the end of the reporting period.

The sensitivity analysis has been determined assuming that the change in interest rate occurred at the end of the reporting period and applied to the Groups' exposure to interest rate risk for floating rate borrowings in existence at those dates. The 50 basis points (2020: same) increase or decrease represents management's assessment of a reasonably possible change in interest rate over the period until the end of the next annual reporting period. The analysis was performed on the same methodology for the years ended December 31, 2020 and 2021.

37 FINANCIAL INSTRUMENTS (CONTINUED)

c. Market risk (continued)

iii. Equity price risk

The Groups are exposed to equity price changes arising from equity investments. Other than unlisted equity securities held for strategic purposes, all of these investments are listed on recognized stock exchange markets.

Given the insignificant portfolio of listed equity securities held by the Groups, management believes that the Groups' equity price risk is minimal.

Performance of the Groups' unlisted investments held for long-term strategic purposes is assessed at least semi-annually against the performance of the associated business as well as similar listed entities, based on the limited information available to the Groups, together with an assessment of their relevance to the Groups' long-term strategic plans.

d. Fair values of financial instruments measured at amortized cost

All financial instruments were carried at amounts not materially different from their fair values as at December 31, 2021 except as follows:

| In HK\$ million | 2020 | | 2021 | |
|----------------------|-----------------|------------|-----------------|---------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Long-term borrowings | 40,719 | 42,155 | 43,628 | 44,629 |

The fair values of long-term borrowings are the net present value of the estimated future cash flows discounted at the prevailing market rates. The fair values are within level 2 of the fair value hierarchy (as defined in note 37(e)).

e. Estimation of fair values

Financial instruments carried at fair value are analyzed by valuation method and the different levels are defined as follows:

- Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for the financial assets held by the Groups is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted securities.

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37 FINANCIAL INSTRUMENTS (CONTINUED)**e. Estimation of fair values (continued)**

The following tables present the Groups' financial assets and liabilities that were measured at fair value:

| In HK\$ million | As at December 31, 2020 | | | Total |
|-------------------------------------|-------------------------|--------------|------------|--------------|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Financial assets at FVOCI | | | | |
| – Unlisted securities | – | – | 124 | 124 |
| Financial assets at FVPL | | | | |
| – Unlisted securities (non-current) | – | – | 31 | 31 |
| – Listed securities (non-current) | 18 | – | – | 18 |
| – Listed securities (current) | 16 | – | – | 16 |
| Derivative financial instruments | | | | |
| – Non-current | – | 214 | – | 214 |
| Total assets | 34 | 214 | 155 | 403 |
| Liabilities | | | | |
| Derivative financial instruments | | | | |
| – Current | – | (24) | – | (24) |
| – Non-current | – | (128) | – | (128) |
| Total liabilities | – | (152) | – | (152) |
| As at December 31, 2021 | | | | |
| In HK\$ million | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Financial assets at FVOCI | | | | |
| – Unlisted securities | – | – | 124 | 124 |
| Financial assets at FVPL | | | | |
| – Unlisted securities (non-current) | – | – | 33 | 33 |
| – Listed securities (non-current) | 5 | – | – | 5 |
| – Listed securities (current) | 15 | – | – | 15 |
| Derivative financial instruments | | | | |
| – Non-current | – | 131 | – | 131 |
| Total assets | 20 | 131 | 157 | 308 |
| Liabilities | | | | |
| Derivative financial instruments | | | | |
| – Non-current | – | (128) | – | (128) |

37 FINANCIAL INSTRUMENTS (CONTINUED)

e. Estimation of fair values (continued)

Instruments included in level 1 comprised PCCW Shares acquired or subscribed under PCCW Share Award Schemes and classified as financial assets at FVPL.

Instruments included in level 2 comprised cross currency swap contracts, interest rate swap contracts and foreign exchange forward contracts classified as derivative financial instruments. In measuring the swap transactions, the fair value is the net present value of the estimated future cash flows discounted at the market quoted swap foreign exchange rates and interest rates. The fair value of the foreign exchange forward contracts is calculated based on the prevailing market foreign exchange rates quoted for contracts with the same notional amounts adjusted for maturity differences.

Instruments included in level 3 comprised investments in unlisted instruments classified as financial assets at FVOCI or financial assets at FVPL. During the year ended December 31, 2021, there was an addition of HK\$2 million in the instruments included in level 3 (2020: nil).

For unlisted securities or financial assets without an active market, the Groups establish the fair value by using valuation techniques including the use of recent arm's length transactions, reference to other instruments that are substantially the same, and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

There were no transfers of financial assets and liabilities between fair value hierarchy classifications during the years ended December 31, 2020 and 2021.

There were no material changes in valuation techniques during the years ended December 31, 2020 and 2021.

f. Groups' valuation process

The Groups perform and monitor the valuations of financial instruments required for financial reporting purposes, including level 3 fair values. Material movements in valuations are reported to senior management immediately. Valuation results are reviewed by senior management at least on a semi-annual basis.

38 COMMITMENTS

a. Capital

As at December 31, 2021, capital commitments authorized and contracted for by nature were as follows:

| In HK\$ million | 2020 | 2021 |
|--|------|------|
| Investments | 169 | 99 |
| Acquisition of property, plant and equipment | 828 | 800 |
| | 997 | 899 |

December 31, 2021

38 COMMITMENTS (CONTINUED)**b. Committed leases not yet commenced**

As at December 31, 2021, the total future lease payments for leases committed but not yet commenced were payable as follows:

Land and buildings

| In HK\$ million | 2020 | 2021 |
|---------------------------------|------|------|
| Within 1 year | 9 | 25 |
| After 1 year but within 5 years | 64 | 45 |
| | 73 | 70 |

Network capacity and equipment

| In HK\$ million | 2020 | 2021 |
|---------------------------------|------|------|
| Within 1 year | 20 | 11 |
| After 1 year but within 5 years | 15 | 26 |
| | 35 | 37 |

c. Others

As at December 31, 2021, the Groups had other outstanding commitments as follows:

| In HK\$ million | 2020 | 2021 |
|--|-------|-------|
| Purchase of rights to broadcast certain TV content | 1,547 | 688 |
| Operating expenditure commitments | 3,455 | 776 |
| | 5,002 | 1,464 |

38 COMMITMENTS (CONTINUED)

d. Lease receivables

i. As at December 31, 2021, the maturity analysis of the lease receivables under non-cancellable finance leases is as follows:

| In HK\$ million | 2020 | 2021 |
|--|------|------|
| Within 1 year | 51 | – |
| After 1 year but within 2 years | 40 | – |
| After 2 years but within 3 years | 33 | – |
| After 3 years but within 4 years | 14 | – |
| After 4 years but within 5 years | 11 | – |
| After 5 years | 82 | – |
| Total contractual undiscounted lease receivables* | 231 | – |
| Less: interest income relating to future periods | (26) | – |
| Carrying amount | 205 | – |
| Less: amounts receivable within one year included under current assets | (47) | – |
| Non-current portion | 158 | – |

* As at December 31, 2020, the majority of the leases typically run for periods of 2 to 15 years.

ii. As at December 31, 2021, the maturity analysis of the total future minimum lease receipts under non-cancellable operating leases is as follows:

| In HK\$ million | 2020 | 2021 |
|----------------------------------|------|------|
| Within 1 year | 43 | 32 |
| After 1 year but within 2 years | 20 | 14 |
| After 2 years but within 3 years | 5 | 8 |
| After 3 years but within 4 years | – | 1 |
| | 68 | 55 |

The Groups lease out properties under operating leases. The majority of the leases typically run for periods of 1 to 15 years (2020: 1 to 15 years). None of the leases include material contingent rentals.

December 31, 2021

39 CONTINGENT LIABILITIES

| In HK\$ million | 2020 | 2021 |
|------------------------|------|------------|
| Performance guarantees | 955 | 994 |
| Others | 18 | 2 |
| | 973 | 996 |

The Groups are subject to certain corporate guarantee obligations to guarantee the performance of their 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 Groups.

40 BANKING FACILITIES

Aggregate banking facilities as at December 31, 2021 was HK\$32,209 million (2020: HK\$30,007 million) of which the undrawn facilities amounted to HK\$9,878 million (2020: HK\$9,069 million).

Majority of the Groups' banking facilities are subject to the fulfillment of covenants relating to certain of the Groups' consolidated statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Groups were to breach the covenants, the drawn down facilities would become payable on demand and the undrawn facilities would be cancelled. The Groups regularly monitor their compliance with these covenants. As at December 31, 2021, the Groups were in compliance with the covenants relating to the banking facilities. Further details of the Groups' management of liquidity risk are set out in note 37(b).

Summaries of short-term and long-term borrowings are set out in notes 27(e) and 28 respectively.

41 BUSINESS COMBINATIONS**a. Acquisition of PCCW Media Limited ("PCCW Media") and its subsidiaries and joint venture (together the "PCCW Media Group") in 2020**

Pursuant to the share purchase agreement dated August 6, 2020, the Groups completed the acquisition of the entire issued share capital of PCCW Media by HKT Interactive Media Holdings Limited, an indirect wholly-owned subsidiary of the Company from PCCW Interactive Media Holdings Limited, an indirect wholly-owned subsidiary of PCCW for a total consideration of US\$250 million (or HK\$1,950 million) on September 30, 2020. Upon completion, PCCW Media became an indirect wholly-owned subsidiary of the Company. PCCW Media Group operates the "Now TV" business, a leading pay-TV service provider in Hong Kong, offering a wide range of local and international content through linear TV channels, on-demand and applications.

The Groups are required to recognize the acquired companies' identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the acquisition date. In the preparation of the HKT Trust and HKT Limited consolidated financial statements, the Groups recorded the excess of the fair values of the acquired assets and liabilities over the cost of acquisition as negative goodwill in the consolidated income statement.

41 BUSINESS COMBINATIONS (CONTINUED)

a. Acquisition of PCCW Media Limited (“PCCW Media”) and its subsidiaries and joint venture (together the “PCCW Media Group”) in 2020 (continued)

i. Details of net assets acquired and negative goodwill in respect of the acquisition of the PCCW Media Group at the acquisition date were as follows:

| In HK\$ million | Net assets acquired and negative goodwill |
|--|--|
| Purchase consideration settled in cash | 1,950 |
| Less: fair value of net assets acquired | (2,642) |
| Negative goodwill on acquisition (<i>note 9</i>) | (692) |

None of the negative goodwill is expected to be taxable for tax purposes.

The assets and liabilities of the PCCW Media Group at the acquisition date were as follows:

| In HK\$ million | Fair value |
|--|------------|
| Property, plant and equipment | 548 |
| Right-of-use assets | 145 |
| Intangible assets | 519 |
| Fulfillment costs | 40 |
| Deferred income tax assets | 518 |
| Other non-current assets | 16 |
| Trade receivables | 67 |
| Prepayments, deposits and other current assets and amounts due from fellow subsidiaries and a related company | 1,467 |
| Inventories and contract assets | 24 |
| Cash and cash equivalents | 61 |
| Trade payables, accruals and other payables | (413) |
| Advances from customers and contract liabilities | (76) |
| Lease liabilities | (134) |
| Deferred income tax liabilities | (38) |
| Other long-term liabilities | (65) |
| | 2,679 |
| Non-controlling interests | (37) |
| Net assets acquired | 2,642 |

| In HK\$ million | Net cash outflow |
|---|---------------------|
| Purchase consideration settled in cash | 1,950 |
| Less: cash and cash equivalents acquired | (61) |
| Total net cash outflow for the year ended December 31, 2020 | 1,889 |

41 BUSINESS COMBINATIONS (CONTINUED)**a. Acquisition of PCCW Media Limited (“PCCW Media”) and its subsidiaries and joint venture (together the “PCCW Media Group”) in 2020 (continued)****ii. Acquisition-related costs**

Acquisition-related costs of HK\$3 million were included in general and administrative expenses in the consolidated income statement for the year ended December 31, 2020.

iii. Revenue and profit contribution

PCCW Media Group contributed revenue of HK\$418 million and profit before income tax of HK\$63 million to the Groups for the period from the completion date of the acquisition on September 30, 2020 to December 31, 2020. If the acquisition had occurred on January 1, 2020, the revenue and profit before income tax for the year ended December 31, 2020 would have been HK\$1,535 million and HK\$53 million, respectively.

b. Acquisition of an attributable 21.5% equity interests in Jietongda in 2020

With effect from July 1, 2020, the Groups, via a non-wholly owned subsidiary of the Company, acquired an attributable 21.5% equity interests in Jietongda, a limited liability company established in the PRC. Jietongda engages in the provision of support service for mobile service subscription and the sale of consumer telecom equipment and accessories. The acquisition aims to facilitate the Groups' telecommunications business in the PRC. The aggregate consideration was not material to the Groups. The Groups accounted for Jietongda as an associate before the acquisition. Subsequent to the acquisition, Jietongda became a 56.5% owned indirect subsidiary of the Company and is consolidated by the Groups.

42 SUBSEQUENT EVENT

On January 18, 2022, HKT Capital No. 6 Limited, an indirect wholly-owned subsidiary of the Company, issued US\$650 million 3.00% guaranteed notes due 2032, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by HKTGH and HKTL and rank pari passu with all other outstanding unsecured and unsubordinated obligations of HKTGH and HKTL.

43 POSSIBLE IMPACT OF NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED DECEMBER 31, 2021

Up to the date of approval of these consolidated financial statements, the HKICPA has issued the following new and amended Hong Kong Financial Reporting Standards which are not yet effective for the accounting period ended December 31, 2021 and which have not been early adopted in these consolidated financial statements:

| | | Effective for accounting periods beginning on or after |
|---|---|--|
| HKAS 1 (Revised) (Amendments) | Presentation of Financial Statements | January 1, 2023 |
| HKAS 8 (Amendments) | Accounting Policies, Changes in Accounting Estimates and Errors | January 1, 2023 |
| HKAS 12 (Amendments) | Income Taxes | January 1, 2023 |
| HKAS 16 (Amendments) | Property, Plant and Equipment | January 1, 2022 |
| HKAS 28 (2011) (Amendments) | Investments in Associates and Joint Ventures | To be announced |
| HKAS 37 (Amendments) | Provisions, Contingent Liabilities and Contingent Assets | January 1, 2022 |
| HKFRS 3 (Revised) (Amendments) | Business Combinations | January 1, 2022 |
| HKFRS 10 (Amendments) | Consolidated Financial Statements | To be announced |
| HKFRS 17 | Insurance Contracts | January 1, 2023 |
| HK Interpretation 5 (2020) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | January 1, 2023 |
| Annual Improvements to HKFRSs 2018 – 2020 | | January 1, 2022 |

Apart from the above, a number of improvements and minor amendments to Hong Kong Financial Reporting Standards have also been issued by the HKICPA but they are not yet effective for the accounting period ended December 31, 2021 and have not been early adopted in these consolidated financial statements.

None of the above is expected to have a significant effect on the result of operation and financial position of the Groups.

FIVE YEAR FINANCIAL SUMMARY

For the year ended December 31, 2021

Results

| In HK\$ million | 2017 [#] | 2018 [*] | 2019 [*] | 2020 (Restated) | 2021 |
|---|-------------------|-------------------|-------------------|--------------------|-----------------|
| Revenue by Principal Activity | | | | | |
| Telecommunications Services | 20,674 | 21,128 | 21,265 | 21,608 | 20,708 |
| Mobile | 12,238 | 13,825 | 11,612 | 10,006 | 10,838 |
| Pay TV | – | – | – | 418 | 1,551 |
| Other Businesses | 155 | 234 | 226 | 357 | 864 |
| | 33,067 | 35,187 | 33,103 | 32,389 | 33,961 |
| Cost of sales | (15,972) | (17,980) | (15,787) | (15,703) | (16,729) |
| General and administrative expenses | (10,137) | (9,991) | (9,622) | (9,498) | (10,127) |
| Other (losses)/gains, net | (145) | 2 | 3 | 361 | (8) |
| Finance costs, net | (1,148) | (1,350) | (1,372) | (1,296) | (1,148) |
| Share of results of equity accounted entities | (10) | (16) | (51) | (79) | (130) |
| Profit before income tax | 5,655 | 5,852 | 6,274 | 6,174 | 5,819 |
| Income tax | (898) | (1,010) | (1,037) | (855) | (997) |
| Profit for the year | 4,757 | 4,842 | 5,237 | 5,319 | 4,822 |
| Profit attributable to: | | | | | |
| Holders of Share Stapled Units/shares of the Company | 4,745 | 4,825 | 5,217 | 5,303 | 4,808 |
| Non-controlling interests | 12 | 17 | 20 | 16 | 14 |
| Assets and Liabilities | | | | | |
| As at December 31, In HK\$ million | 2017 [#] | 2018 | 2019 | 2020 | 2021 |
| Total non-current assets | 84,315 | 86,836 | 89,848 | 93,434 | 98,477 |
| Total current assets | 10,857 | 10,729 | 9,921 | 9,737 | 11,135 |
| Total current liabilities | (11,687) | (12,141) | (13,091) | (15,369) | (16,203) |
| Total non-current liabilities | (45,595) | (47,830) | (48,708) | (49,902) | (56,212) |
| Net assets | 37,890 | 37,594 | 37,970 | 37,900 | 37,197 |

[#] The results for the year ended December 31, 2017 and the assets and liabilities as at December 31, 2017 have been restated to reflect the impacts of the adoption of HKFRS 15, HKFRS 16 and HKFRS 9 (2014) in the financial year 2018.

^{*} Comparative figures of the results for the year ended December 31, 2017, 2018 and 2019 have not been restated to reflect the impacts of assessing the business of The Club separately from the reportable segments other than “Other Businesses” as stated in note 7 to the consolidated financial statements as the directors are of the opinion that it is costs over benefits to do so.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SOLE SHAREHOLDER OF HKT MANAGEMENT LIMITED

(Incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The financial statements of HKT Management Limited (the “Company”), which are set out on pages 209 to 218, comprise:

- the statement of financial position as at December 31, 2021;
- the income statement for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include principal accounting policies and other explanatory information.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The directors are responsible for the other information. The other information comprises all of the information included in the HKT Trust and HKT Limited 2021 annual report other than the financial statements of the Company, the consolidated financial statements of HKT Trust and HKT Limited and our auditor’s reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

.....
PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong

Responsibilities of Directors and the Audit Committee for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, February 24, 2022

.....
PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong

INCOME STATEMENT OF HKT MANAGEMENT LIMITED

For the year ended December 31, 2021

| In HK\$'000 | Note | 2020 | 2021 |
|-------------------------------------|------|------|-------------|
| Management fee income | | 54 | 54 |
| General and administrative expenses | | (54) | (54) |
| Result before income tax | 5 | – | – |
| Income tax | 6 | – | – |
| Result for the year | | – | – |

The notes on pages 214 to 218 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME OF HKT MANAGEMENT LIMITED

For the year ended December 31, 2021

| In HK\$'000 | 2020 | 2021 |
|---|------|------|
| Result for the year | - | - |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | - | - |

The notes on pages 214 to 218 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION OF HKT MANAGEMENT LIMITED

As at December 31, 2021

| In HK\$'000 | Note | 2020 | 2021 |
|-------------------------------------|------|-------|--------------|
| ASSET AND LIABILITIES | | | |
| Current asset | | | |
| Amount due from a fellow subsidiary | 4(c) | 438 | 492 |
| | | 438 | 492 |
| Current liabilities | | | |
| Accruals and other payables | | (52) | (52) |
| Amounts due to fellow subsidiaries | 4(c) | (386) | (440) |
| | | (438) | (492) |
| Net assets | | – | – |
| CAPITAL AND RESERVES | | | |
| Share capital | 7 | – | – |
| Reserves | | – | – |
| Total equity | | – | – |

Approved and authorized for issue by the board of directors (the “Board”) on February 24, 2022 and signed on behalf of the Board by

Li Tzar Kai, Richard
Director

Hui Hon Hing, Susanna
Director

The notes on pages 214 to 218 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY OF HKT MANAGEMENT LIMITED

For the year ended December 31, 2021

| In HK\$'000 | Share capital | 2020 | Total |
|---|---------------|------------------|-------|
| | | Retained profits | |
| As at January 1, 2020 | – | – | – |
| Total comprehensive income for the year | | | |
| Result for the year | – | – | – |
| Other comprehensive income | – | – | – |
| Total comprehensive income for the year | – | – | – |
| Transactions with the equity holder of the Company | – | – | – |
| As at December 31, 2020 | – | – | – |

| In HK\$'000 | Share capital | 2021 | Total |
|---|---------------|------------------|-------|
| | | Retained profits | |
| As at January 1, 2021 | – | – | – |
| Total comprehensive income for the year | | | |
| Result for the year | – | – | – |
| Other comprehensive income | – | – | – |
| Total comprehensive income for the year | – | – | – |
| Transactions with the equity holder of the Company | – | – | – |
| As at December 31, 2021 | – | – | – |

The notes on pages 214 to 218 form part of these financial statements.

STATEMENT OF CASH FLOWS OF HKT MANAGEMENT LIMITED

For the year ended December 31, 2021

| In HK\$'000 | 2020 | 2021 |
|---|------|-------------|
| OPERATING ACTIVITIES | | |
| Result before income tax | – | – |
| Adjustments for: | | |
| Increase in amount due from a fellow subsidiary | (54) | (54) |
| Increase in amounts due to fellow subsidiaries | 54 | 54 |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | – | – |
| INVESTING ACTIVITIES | | |
| NET CASH GENERATED FROM INVESTING ACTIVITIES | – | – |
| FINANCING ACTIVITIES | | |
| NET CASH GENERATED FROM FINANCING ACTIVITIES | – | – |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | – | – |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | – | – |
| End of year | – | – |

The notes on pages 214 to 218 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS OF HKT MANAGEMENT LIMITED

December 31, 2021

1 GENERAL INFORMATION

HKT Management Limited (the “Company”) was incorporated in the Hong Kong Special Administrative Region (“Hong Kong”) under the Hong Kong Companies Ordinance on June 14, 2011. Its registered office is located at 39th Floor, PCCW Tower, Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong. The Company is an indirect wholly-owned subsidiary of PCCW Limited, which is also the ultimate holding company of the Company incorporated in Hong Kong with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States.

The Company has a limited and specific role, which is to administer the HKT Trust.

The financial statements are presented in Hong Kong dollars, unless otherwise stated.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

HKT Management Limited’s financial statements 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). A summary of the principal accounting policies adopted by the Company is set out below.

b. Basis of preparation of the financial statements

The following amended Hong Kong Financial Reporting Standards are adopted for the financial year beginning January 1, 2021, but have no material effect on the Company’s reported results and financial position for the current and prior accounting periods.

- HKAS 39 (Amendments), *Financial Instruments: Recognition and Measurement*
- HKFRS 4 (Amendments), *Insurance Contracts*
- HKFRS 7 (Amendments), *Financial Instruments: Disclosures*
- HKFRS 9 (2014) (Amendments), *Financial Instruments*
- HKFRS 16 (Amendments), *Leases*

The Company has not early adopted any other new or amended Hong Kong Financial Reporting Standards that are not yet effective for the current accounting period, details of which are set out in note 10.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Hong Kong Financial Reporting Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

c. Impairment of assets

The Company assesses on forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost.

For intercompany receivable, the Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition by considering available reasonable and supportive forward-looking information. Considerations may include:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increases in credit risk on other financial instruments of the same borrower; and
- significant changes in the expected performance and behavior of the borrower, including changes in the payment status of the borrower and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is delinquent and in default status when there are unsettled amounts remaining on the account on the day after the invoice due date.

At each reporting date, the Company measures the loss allowance for the intercompany receivable at an amount equal to the lifetime expected credit losses if the credit risk on that intercompany receivable has increased significantly since initial recognition. If, at the reporting date, the credit risk on an intercompany receivable has not increased significantly since initial recognition, the Company measures the loss allowance for that intercompany receivable at an amount equal to 12-month expected credit losses.

Intercompany receivable is written off when there is no reasonable expectation of recovery. The Company categorizes an intercompany receivable for write off when the intercompany fails to make contractual payments for a period greater than predefined limit. Where the receivable has been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in the income statement.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

d. Related parties

For the purposes of these financial statements, a party is considered to be related to the Company if:

- i. the party has the ability, directly or indirectly through one or more intermediaries, to control the Company or exercise significant influence over the Company in making financial and operating policy decisions, or has joint control over the Company;
- ii. the Company and the party are subject to common control;
- iii. the party is an associate of the Company or a joint venture in which the Company is a venturer;
- iv. the party is a member of key management personnel of the Company or the Company's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individual;
- v. the party is a close family member of a party referred to in note i above or is an entity under the control, joint control or significant influence of such party;
- vi. the party is a post-employment benefit plan which is for the benefit of employees of the Company or of any entity that is a related party of the Company; or
- vii. the entity provides key management personnel services to the Company.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 Company has no accounting estimates and judgements that would significantly affect its results and financial position.

4 RELATED PARTY TRANSACTION

During the year, the Company had the following significant transaction with a related party:

| In HK\$'000 | 2020 | 2021 |
|--|------|------|
| Management fee receivable from a fellow subsidiary | 54 | 54 |

- a. This transaction was carried out after negotiations between the Company and the related party in the ordinary course of business and on the basis of estimated market value as determined by the directors.
- b. The directors' emoluments of the Company were borne by a fellow subsidiary of the Company for the years ended December 31, 2020 and 2021.
- c. The amounts due from/to fellow subsidiaries are unsecured, non-interest bearing, and have no fixed repayment terms.

5 RESULT BEFORE INCOME TAX

Result before income tax was stated after charging the following:

| In HK\$'000 | 2020 | 2021 |
|------------------------|------|------|
| Auditor's remuneration | 54 | 54 |

6 INCOME TAX

No Hong Kong profits tax has been provided as the Company did not have any assessable profit during the years ended December 31, 2020 and 2021.

No deferred income tax asset and liability was recognized as at December 31, 2020 and 2021.

7 SHARE CAPITAL

| | 2020 | | 2021 | |
|--------------------------------|-----------------|--------------------|-----------------|--------------------|
| | Number of share | Share capital HK\$ | Number of share | Share capital HK\$ |
| Issued and fully paid: | | | | |
| Ordinary share of no par value | | | | |
| Beginning and end of year | 1 | 1 | 1 | 1 |

8 CAPITAL MANAGEMENT

The Company has a specific and limited role to administer the HKT Trust. It is not actively engaged in running the telecommunications business which is managed by HKT Limited, a fellow subsidiary of the Company, and the operating subsidiaries of HKT Limited. Therefore, the Company is not subject to externally imposed capital requirements.

9 FINANCIAL INSTRUMENTS

As the principal activity of the Company is to administer the HKT Trust, the Company is not exposed to credit, liquidity and market risk (including foreign currency risk and interest rate risk). Risk management is carried out under policies approved by the Board.

December 31, 2021

10 POSSIBLE IMPACT OF NEW AND AMENDED STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED DECEMBER 31, 2021

Up to the date of approval of these financial statements, the HKICPA has issued the following new and amended Hong Kong Financial Reporting Standards which are not yet effective for the accounting period ended December 31, 2021 and which have not been early adopted in these financial statements:

| | | Effective for accounting periods beginning on or after |
|---|---|--|
| HKAS 1 (Revised) (Amendments) | Presentation of Financial Statements | January 1, 2023 |
| HKAS 8 (Amendments) | Accounting Policies, Changes in Accounting Estimates and Errors | January 1, 2023 |
| HKAS 12 (Amendments) | Income Taxes | January 1, 2023 |
| HKAS 16 (Amendments) | Property, Plant and Equipment | January 1, 2022 |
| HKAS 28 (2011) (Amendments) | Investments in Associates and Joint Ventures | To be announced |
| HKAS 37 (Amendments) | Provisions, Contingent Liabilities and Contingent Assets | January 1, 2022 |
| HKFRS 3 (Revised) (Amendments) | Business Combinations | January 1, 2022 |
| HKFRS 10 (Amendments) | Consolidated Financial Statements | To be announced |
| HKFRS 17 | Insurance Contracts | January 1, 2023 |
| HK Interpretation 5 (2020) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | January 1, 2023 |
| Annual Improvements to HKFRSs 2018 – 2020 | | January 1, 2022 |

Apart from the above, a number of improvements and minor amendments to Hong Kong Financial Reporting Standards have also been issued by the HKICPA but they are not yet effective for the accounting period ended December 31, 2021 and have not been early adopted in these financial statements.

None of the above is expected to have a significant effect on the result of operation and financial position of the Company.

CORPORATE INFORMATION

HKT LIMITED

(incorporated in the Cayman Islands with limited liability)

BOARD OF DIRECTORS

Executive Directors

Li Tzar Kai, Richard (*Executive Chairman*)
Hui Hon Hing, Susanna (*Group Managing Director*)

Non-Executive Directors

Peter Anthony Allen
Chung Cho Yee, Mico
Mai Yanzhou
Wang Fang
Srinivas Bangalore Gangaiah (aka BG Srinivas)[^]

Independent Non-Executive Directors

Professor Chang Hsin Kang, F_{REng}, GBS, JP
Sunil Varma
Aman Mehta
Frances Waikwun Wong

GROUP GENERAL COUNSEL AND COMPANY SECRETARY OF HKT LIMITED AND HKT MANAGEMENT LIMITED

Cheung Hok Chee, Vanessa

REGISTERED OFFICE

PO Box 309, Uglan House
Grand Cayman, KY1-1104
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

39th Floor, PCCW Tower
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

SHARE STAPLED UNITS INFORMATION

Board lot: 1,000 units
Issued units as at December 31, 2021: 7,575,742,334 units

DISTRIBUTION

Distribution per share stapled unit for the year ended December 31, 2021:
Interim 30.70 HK cents
Final 42.07 HK cents*

* Subject to the approval of holders of share stapled units at the 2022 Annual General Meeting

FINANCIAL CALENDAR

| | |
|---|--|
| Announcement of 2021 Annual Results | February 24, 2022 |
| 2022 Annual General Meeting | May 13, 2022 |
| Closure of books | May 19-20, 2022 (both days inclusive) |
| Record date for 2021 final distribution | May 20, 2022 |
| Payment of 2021 final distribution | on or around May 31, 2022 |

INVESTOR RELATIONS

For more information, please contact Investor Relations at:
Telephone: +852 2514 5084
Email: ir@hkt.com

[^] Subsequent to the date of this report, Srinivas Bangalore Gangaiah retired as Non-Executive Director with effect from February 28, 2022.

HKT MANAGEMENT LIMITED

(incorporated in Hong Kong with limited liability)
(THE TRUSTEE-MANAGER OF THE HKT TRUST)

BOARD OF DIRECTORS

Executive Directors

Li Tzar Kai, Richard (*Executive Chairman*)
Hui Hon Hing, Susanna (*Group Managing Director*)

Non-Executive Directors

Peter Anthony Allen
Chung Cho Yee, Mico
Mai Yanzhou
Wang Fang
Srinivas Bangalore Gangaiah (aka BG Srinivas)[^]

Independent Non-Executive Directors

Professor Chang Hsin Kang, F_{REng}, GBS, JP
Sunil Varma
Aman Mehta
Frances Waikwun Wong

REGISTERED OFFICE

39th Floor, PCCW Tower
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

SHARE STAPLED UNITS REGISTRAR AND HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Telephone: +852 2862 8555
Fax: +852 2865 0990
Website: www.computershare.com/hk/contact

LISTINGS

The share stapled units of HKT Trust and HKT Limited are listed on The Stock Exchange of Hong Kong Limited. Certain guaranteed notes issued by subsidiaries of HKT Limited are listed on the Singapore Exchange Securities Trading Limited and the Taipei Exchange (as the case may be).

STOCK CODES

The Stock Exchange of Hong Kong Limited 6823
Reuters 6823.HK
Bloomberg 6823.HK

WEBSITE OF HKT LIMITED

www.hkt.com

ANNUAL REPORT 2021

This Annual Report 2021 in both English and Chinese is now available in printed form from HKT Limited, HKT Management Limited and the Share Stapled Units Registrar, and in accessible format on the websites of HKT Limited (www.hkt.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Holders of share stapled units who:

- A) received the Annual Report 2021 using electronic means through the website of HKT Limited may request a printed copy, or
- B) received the Annual Report 2021 in either English or Chinese may request a printed copy of the other language version

by writing or sending email to HKT Limited and/or HKT Management Limited c/o the Share Stapled Units Registrar at:

Computershare Hong Kong Investor Services Limited
Investor Communications Centre
17M Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Telephone: +852 2862 8688
Fax: +852 2865 0990
Email: hkt@computershare.com.hk

Holders of share stapled units who have chosen (or are deemed to have agreed) to receive the corporate communications of the HKT Trust, HKT Limited and HKT Management Limited (including but not limited to the Annual Report 2021) using electronic means through the website of HKT Limited and who, for any reason, have difficulty in receiving or gaining access to the Annual Report 2021 will promptly, upon request in writing or by email to the Share Stapled Units Registrar, be sent the Annual Report 2021 in printed form, free of charge.

Holders of share stapled units may change their choice of language and/or means of receipt of future corporate communications of the HKT Trust, HKT Limited and HKT Management Limited at any time, free of charge, by reasonable prior notice in writing or by email to the Share Stapled Units Registrar.

HKT Trust (A trust constituted on November 7, 2011 under the laws of Hong Kong and managed by HKT Management Limited)
and
HKT Limited (Incorporated in the Cayman Islands with limited liability)

Principal Place of Business in Hong Kong:
39/F, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
T: +852 2888 2888 F: +852 2877 8877 www.hkt.com

The Share Stapled Units are listed on The Stock Exchange of Hong Kong Limited (SEHK: 6823).

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