PCCW®

Annual Report 2021

Stock Code: 0008

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CORPORATE PROFILE

PCCW Limited is a global company headquartered in Hong Kong which holds interests in telecommunications, media, IT solutions, property development and investment, and other businesses.

The Company holds a majority stake in the HKT Trust and HKT Limited, Hong Kong's premier telecommunications service provider and leading operator of fixed-line, broadband, mobile communication and media entertainment services. HKT delivers end-to-end integrated solutions employing emerging technologies to assist enterprises in transforming their businesses. HKT has also built a digital ecosystem integrating its loyalty program, e-Commerce, travel, insurance, Big Data Analytics, FinTech and HealthTech services to deepen its relationship with customers.

PCCW owns a fully integrated multimedia and entertainment group in Hong Kong engaged in the provision of over-the-top ("OTT") video service locally and in other places in the region.

Through HK Television Entertainment Company Limited, PCCW also operates a domestic free TV service in Hong Kong.

Also wholly owned by the Group, PCCW Solutions is a leading IT and business process outsourcing provider in Hong Kong, mainland China and Southeast Asia.

In addition, PCCW holds a stake in Pacific Century Premium Developments Limited and other overseas investments.

Employing over 20,600 staff, PCCW maintains a presence in Hong Kong, mainland China as well as other parts of the world.

PCCW shares are listed on The Stock Exchange of Hong Kong Limited (SEHK: 0008) and traded in the form of American Depositary Receipts ("ADRs") on the OTC Markets Group Inc. in the U.S. (Ticker: PCCWY).

To learn more about our core businesses, please turn over the page.

HKT is Hong Kong's leading operator in fixed-line, broadband, mobile communication and media entertainment services, and the sole genuine quadruple-play services provider in Hong Kong.

HKT is Hong Kong's largest broadband service provider with its fiber network and 5G wireless-to-the-home technology covering 98% of homes.

CSL Mobile operates a true 5G network enabling a differentiated user experience through the csl and 1O1O mobile service brands. The 5G network is backed by HKT's substantial holding of 5G spectrum across all bands and a robust and extensive fiber backhaul infrastructure.

HKT also delivers end-to-end integrated solutions leveraging emerging technologies to assist enterprises in transforming their businesses. Its international operating division, PCCW Global, operates a Tier-1 global Internet backbone network and the Console Connect Software Defined Interconnection platform. Console Connect can be accessed from close to 600 data centers in more than 55 countries.

Now TV, the leading pay-TV service in Hong Kong, offers a wide range of local and international content through linear TV channels, on demand service and mobile apps.

HKT has also built a digital ecosystem integrating its loyalty program, e-Commerce, travel, insurance, Big Data Analytics, FinTech and HealthTech services to deepen its relationship with customers.

PCCW owns a fully integrated multimedia and entertainment group in Hong Kong engaged in the provision of OTT services with original and premium regional and international branded content, as well as a free TV service.

Viu is a leading pan-regional OTT video service available in 16 markets across Asia, the Middle East and South Africa. Offering both an ad-supported tier and a premium subscription tier, Viu delivers premium branded content in local and regional languages with subtitles across genres, in addition to Viu Original productions. PCCW also operates the popular digital music streaming service MOOV in Hong Kong.

Through HK Television Entertainment Company Limited, domestic free TV service ViuTV offers original-format factual entertainment, dramas, and news, children and sports programs on its Cantonese channel 99 and English language channel 96 (ViuTVsix).

PCCW Solutions is a leading IT services company in Hong Kong, mainland China and Southeast Asia. It focuses on developing industry-specific solutions and providing end-to-end IT solutions and services to assist enterprises and the public sector in going digital, revolutionizing their business operations and achieving cost efficiency.

PCCW Solutions helps customers achieve their business goals with a wide range of offerings, including application development and systems integration, IT outsourcing and managed services, and digital, cloud and IoT solutions.

PCCW Solutions is actively expanding its presence and capabilities in Southeast Asia to support clients in the region, driving smart city and digital transformation initiatives.

STATEMENT FROM THE CHAIRMAN

PCCW recorded favorable operational results across its core businesses in the past year, as consecutive quarters of economic downturn in Hong Kong gave way to a gradual rebound in 2021.

Within our Media Group, pan-regional OTT video service Viu continued to maintain its leadership position in Southeast Asia by delivering engrossing Asian entertainment, with increased efforts to drive Viu Original productions. It concluded the year with strong revenue growth.

Similarly, ViuTV saw an encouraging rise in its TV channel and digital viewership as well as advertising revenue through its ever-progressing creative content proposition. Talent under our management continued to gain recognition, forming synergy with our event business to propel growth and diversification.

PCCW Solutions continued to expand its market presence in target industry segments through applying best practices and leveraging its resources in offshore delivery centers to serve clients efficiently. During the year, we secured key extension projects and long-term contracts from clients in Hong Kong, mainland China and Southeast Asia. The sale of our data center business was completed in December.

HKT delivered a solid set of results underpinned by its market-leading broadband and mobile businesses. New 5G spectrum acquired in the Government auction in the fourth quarter will further enable our network coverage and capacity enhancement. On the commercial front, we focused on our commitment to helping enterprises transform digitally, thereby expediting Hong Kong's development into a smart city. HKT's digital ventures, including HealthTech and FinTech initiatives, facilitate citizens' transition towards a digital lifestyle under the new normal.

Last year, the pandemic continued to pose challenges for the overseas hospitality and resort businesses of Pacific Century Premium Developments ("PCPD"), while its premium commercial property in Jakarta, Indonesia upheld its stable performance.

The local economic recovery that had gained positive momentum last year was dampened by the spread of the COVID Omicron variant at the beginning of 2022. It is evident that we must, as always, brace for abrupt changes in market conditions and respond with agility. The Board and the management team will continue our dedicated efforts to preserve and create value for our shareholders.

Richard Li
Chairman
February 24, 2022

STATEMENT FROM THE GROUP MANAGING DIRECTOR

The Group registered robust performance across its core businesses of telecommunications, media, and IT services for the year ended December 31, 2021. Hong Kong recorded a notable GDP expansion for the reporting year, during which PCCW supported citizens and enterprises alike with its world-class services, as they adapted further to the "new normal" ways of living and doing business.

A world of media entertainment

The Group's leading pan-regional OTT video service, Viu, recorded strong revenue growth and improved EBITDA performance in 2021. Viu is committed to offering premium Asian entertainment content to engage and entice viewers in its 16 markets worldwide. In 2021, we strategically invested in more Viu Original productions – including Korean drama and those for large markets such as Indonesia, Thailand, Malaysia and the Philippines – to create differentiation and long-term monetization opportunities via IP ownership. Our original drama series have garnered wide recognition by virtue of their outstanding production quality as well as stunning cinematography and visual effects.

Viu also struck deals with some of the largest TV, film and entertainment companies in the region during the year to cater to the growing demand for other types of Asian content, including Chinese drama and Japanese anime.

In addition, by enhancing our partnerships with telcos and other distribution partners, Viu's number of monthly active users ("MAU") expanded by 30% during the year to 58.6 million, while the number of paying subscribers recorded an even higher growth of 58% to surpass 8.4 million as at the end of 2021. Moreover, according to market analyses by a leading research agency, Viu was ranked number one by MAU among major video streaming platforms in Southeast Asia (Indonesia, Malaysia, the Philippines, Singapore, and Thailand) for eight consecutive quarters and holds a solid second position amongst global players in the region in terms of subscriber base.

Domestic television gaining traction

Hong Kong-based free TV service, ViuTV, produced and aired a smorgasbord of drama, talent and variety shows to keep viewers engaged. The service's average monthly audience reached 4.2 million, with average television viewer rating ("TVR") during prime time rising by nearly a quarter from a year ago. Furthermore, digital stream views more than doubled that of last year.

ViuTV's advertising revenue surged by 127% year on year, driven by its quality scripted and non-scripted content. Clients from diverse sectors chose to advertise on ViuTV in 2021. Nearly half of them did so for the first time and many exclusively.

With the rapidly soaring popularity of our artistes, our talent management business also saw significant growth and diversification. Appearing from local and international music awards to blockbuster movies and campaigns of numerous consumer brands, our groups and individual artistes have captured the hearts of their fans. To further strengthen this aspect of our operations, an all-female group has recently been formed.

ViuTV also actively seeks to boost its visibility outside of Hong Kong. Last year, it distributed over 3,100 hours of programs to 29 markets across Asia and the Americas.

Thriving IT solutions business

PCCW Solutions continued to expand its regional footprint by replicating and scaling its industry-specific solutions, and recorded double-digit growth in revenue for 2021. We have maintained our focus on large global enterprises, and are now serving over a hundred Forbes Global 2000 customers.

During the year, PCCW Solutions secured a slew of long-term strategic digital transformation and outsourcing projects in its target segments, including the public sector, communications, and travel and transportation industries, fueling a strong year-on-year growth in secured orders.

In Hong Kong, we have been awarded several long-term outsourcing contracts and smart city projects to help accelerate digital adoption and drive business transformation, including the provision of cabling and network infrastructure for the third runway project of the Airport Authority Hong Kong. We also deepened our engagement with one of the largest telecommunications operators in China, winning the second phase of its Planning Management System and a new project to build an integrated Smart Finance Middle Platform for its provincial companies.

In Singapore, we have won a number of managed services contracts from various government agencies for their IT infrastructure. We have successfully deployed the Track Access Management System ("TAMS") for SMTR Trains in the country to enhance reliability, and embarked on phase two deployment covering more train networks and depots. We have also signed a go-to-market Memorandum of Understanding to jointly promote TAMS across Southeast Asia.

PCCW Solutions is committed to the advocacy of industry best practice for quality excellence, data privacy and information security. Its Malaysian delivery center and Hong Kong IT Service Management Center have recently been accredited under a number of additional ISO standards.

Announced in July, the sale of our data center business was completed in December. Proceeds from the divestment will be used to fund the Group's investments into new growth areas such as financial services as well as technology.

Resilient telecom services

HKT reported solid results underpinned by its resilient quad-play businesses – including broadband, mobile, and pay-TV – as it continued to play a vital role in serving the connectivity needs of individuals and businesses.

Our 5G subscriptions grew steadily throughout the year as the relevant interest picked up amid the recovering economy and improving consumer appetite for spending in Hong Kong. As at the end of December, penetration of our 5G services stood at 21% of our mobile customer base. We continued to expand our coverage and capacity for high-traffic zones as well as indoor and underground areas. Spectrum acquired in the Government auction in October, when deployed, will further bolster our indoor reception and wide area coverage. As for the B2B arena, HKT helped industry verticals reap the benefits of 5G and other technologies in unlocking revenue opportunities and improving customer experience.

During the year, HKT continued to evolve its service strategy and portfolio to enable customers' digital lives. Tap & Go registered a significant jump in the volume of both online and physical store transactions, as citizens spent their government consumption vouchers through their digital wallet. Registrations for DrGo climbed steadily, with the HealthTech service integrating a greater variety of products and services into its online store. We also made continuous improvements to The Club loyalty program and shopping platform.

PCPD

2021 continued to be a challenging year for the hospitality and resort businesses of PCPD in Hokkaido, Japan. Occupancy of the Park Hyatt Niseko, Hanazono remained low due to travel restrictions and social distancing measures.

In Indonesia, PCPD's premium commercial property, the Pacific Century Place, Jakarta, maintained stable performance with an 80% occupancy rate as at the end of the year. In Phang Nga, Thailand, the Company's golf and country club commenced operations in the third quarter of last year, while handover of the first batch of villas began in December.

In Hong Kong, foundation work for its property development project in Central is expected to commence in the first quarter of this year.

Following a share transaction in late December, PCPD has become an associate company of PCCW. The financial results and positions of PCPD will be accounted for in PCCW's financial statements using the equity method in future periods.

Outlook

Viu will strengthen its competitive edge in the direct-to-consumer ("D2C") market by investing in highly rated Asian and Viu Original content that is relevant to the audiences in respective market in partnership with top local production talent across the region. More than 30 new productions in different genres and languages are expected to be released in 2022. With its growing scale, Viu is nearing EBITDA breakeven.

ViuTV will continue to gauge the interest of the domestic audience and produce quality programs to drive viewership for its TV and digital channels, while further promoting its artistes and event business.

PCCW Solutions is strategically focused in sharpening client engagement, expanding its ecosystem with technology partners and new capabilities, and strengthening its talent pool. It will replicate proven solutions to deepen penetration in Southeast Asia and scale industry-specific expertise to win clients for a strong pipeline and recurrent revenue.

HKT is committed to catering for the connectivity needs of Hong Kong by further building upon its 5G infrastructure and maintaining its robust and reliable broadband service. We will seek to commercialize a great variety of 5G applications in healthcare, property and other sectors, and assist the public's shift toward the digital lifestyle, thereby contributing to Hong Kong's development into a smart city.

As year 2022 commenced, the Omicron variant and social distancing measures re-introduced by the Government as a result have cast new uncertainties on the pace of Hong Kong's economic recovery and the global outlook. PCCW will remain on guard against any headwinds that may arise from this highly dynamic environment, while identifying and pursuing any viable growth opportunities, with a view to creating long term value for our shareholders.

BG Srinivas
Group Managing Director
February 24, 2022

PCCW IN NUMBERS

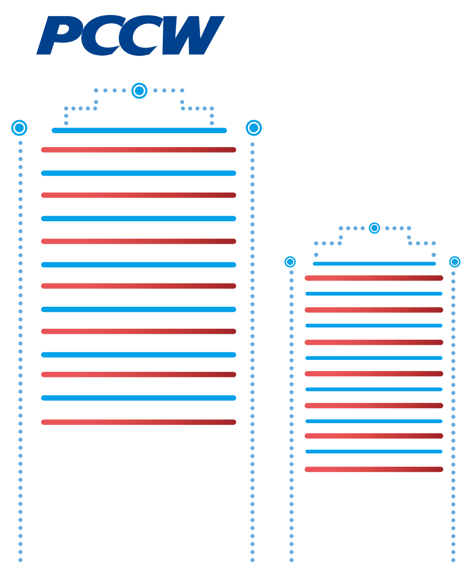
58.6M
Viu monthly active users, and

8.4M
Viu paid subscribers

4.2M
average monthly audience reach by ViuTV

3,100+
hours of ViuTV's programs distributed to 29 markets across Asia and the Americas

20,600+
staff members in 24 countries and cities



300+
sessions of healthy and safety-related training

2.443M
exchange lines

1.637M
broadband access lines
(with 944K FTTH lines)

4.770M
mobile subscribers, including
3.297M postpaid subscribers
(with 680K 5G subscribers)

1.373M
installed base for Now TV

3.541M
The Club members

Revenue from continuing operations
HK$38.654 billion

EBIDTA from continuing operations
HK$12.309 billion

Consolidated profit attributable to equity holders
HK$1.039 billion

Total cash dividend per share
37.05 HK cents

Solutions business secured orders
HK$24.540 billion

36.7% of solutions business workforce based in Southeast Asia

14 offices across Hong Kong, mainland China and Southeast Asia

SIGNIFICANT EVENTS IN 2021

FEBRUARY

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

PCCW Solutions Malaysia receives Multimedia Super Corridor (MSC) Status from Malaysia Digital Economy Corporation.

MARCH

Viu collaborates with Boxx Music in Thailand to launch a Boys' Love series project, *Close Friend*.

APRIL

Viu launches Viu Shorts! and Viu Pitching Forum in Thailand.

Tap & Go is selected by the Government to distribute consumption vouchers.

MAY

PCCW Solutions receives Gold Stevie® Award for Most Innovative Marketing Team of the Year in 2021 Asia-Pacific Stevie Awards

JUNE

PCCW Solutions launches cloud-native Infinitum Communications Suite to empower digital transformation of communications service providers.

JULY

Viu bolsters Asian content through volume deals with Huace Film & TV and Huace Croton Media.

ViuTV broadcasts the Tokyo 2020 Olympic Games.

PCCW announces the disposal of its data center businesses in Hong Kong and Malaysia.

AUGUST

PCCW announces financial results for the six months ended June 30, 2021.

PCCW Solutions and Strides Engineering collaborate to develop a go-to-market strategy for the Track Access Management System in Southeast Asia.

Pacific Century Premium Developments announces the opening of The Aquella Golf and Country Club in Phang Nga, Thailand.

OCTOBER

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

ViuTV announces plans for self-produced drama series and variety shows for 2022.

NOVEMBER

A new csl 5G x MIRROR campaign is launched to promote 5G services.

Viu Original productions win a total of 20 awards at the 2021 Asian Academy Creative Awards.

DECEMBER

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

Viu announces a range of original and exclusive content to enhance its program lineup.

ViuTV's talent show *King Maker IV* concludes with a finale and the formation of a new girl group COLLAR.

Note: This section does not include all significant events of HKT Limited. Please refer to HKT annual report for related information.

AWARDS

Award	Awardee	Scheme Organizer
15 Years Plus Caring Company Logo	PCCW	The Hong Kong Council of Social Service
Asia CEO Awards 2021 • Technology Company of the Year – Circle of Excellence Award	PCCW Solutions	Asia CEO Awards
2021 Asia-Pacific Stevie® Awards • Most Innovative Advertising or Marketing Team of the Year – Gold Stevie® Award	PCCW Solutions	The Stevie® Awards
Asian Academy Creative Awards 2021 – Grand Awards • Best Comedy Performance	Viu Malaysia	Asian Academy Creative Awards
Asian Academy Creative Awards 2021 – National Awards • Best Actress in a Leading Role – Hong Kong • Best Children's Programme (One off/Series) – Hong Kong • Best Drama Series – Hong Kong • Best General Entertainment, Game or Quiz Programme – Hong Kong • Best Infotainment Programme – Hong Kong	ViuTV	Asian Academy Creative Awards
• Best Comedy Performance – Indonesia • Best Comedy Programme – Indonesia • Best Direction (Fiction) – Indonesia • Best Original Programme by a Streamer/OTT – Indonesia	Viu Indonesia	
• Best Actor in a Leading Role – Malaysia • Best Actor in a Supporting Role – Malaysia • Best Actress in a Leading Role – Malaysia • Best Actress in a Supporting Role – Malaysia • Best Adaptation of an Existing Format – Malaysia • Best Cinematography – Malaysia • Best Comedy Performance – Malaysia • Best Comedy Programme – Malaysia • Best Direction (Fiction) – Malaysia • Best Original Programme by a Streamer/OTT – Malaysia • Best Sound – Malaysia • Best Visual or Special FX in TV Series or Feature Film – Malaysia	Viu Malaysia	

Award	Awardee	Scheme Organizer
• Best Actor in a Supporting Role – Thailand • Best Actress in a Supporting Role – Thailand • Best Original Programme by a Streamer/OTT – Thailand • Best Original Screenplay – Thailand	Viu Thailand	
26th Asian Television Awards		Television Asia Plus
• Best Actor in a Leading Role	ViuTV	
• Best Adaptation of an Existing Format	Viu Indonesia	
• Best Leading Male Performance – Digital	Viu Malaysia	
#BestOfTweets 2021 Indonesia		Twitter
• Best Campaign from a Newcomer	Viu Indonesia	
#BestOfTweets 2021 Philippines		Twitter
• Best Use of Video	Viu Philippines	
Best SuccessFactors Partner Award 2020	PCCW Solutions	SAP
Cyber Security Professionals Awards 2021		Hong Kong Police Force, the Government Computer Emergency Response Team Hong Kong and the Hong Kong Computer Emergency Response Team Coordination Centre
• Cyber Security Premium Partner Award	PCCW	
• Cyber Security Service Excellence Award	PCCW staff member	
2021 "Friends of EcoPark"	PCCW	Environmental Protection Department
FY21 Top Software Partner	PCCW Solutions	F5

PCCW Solutions claims SAP's Best SuccessFactors Partner Award 2020.

Award	Awardee	Scheme Organizer
2020 Greater Bay Area IT Advancement Awards • IT Application Excellence Awards – Distinction • IT Application Excellence Awards – Merit	PCCW Solutions	Hong Kong Innovative Technology Development Association
Huawei Hong Kong Partner Summit 2021 • The Excellent Partner Award 2020	PCCW Solutions	Huawei
Indonesia Millenial Women Brand Choice Awards 2021 • Movie Streaming – Best Millennial Women Brand Choice 2021 with Excellent Products and Services Reputation	Viu Indonesia	HerStory
2021 Kam Fan Awards • Hong Kong Roots – Culture Roots – Silver • Hong Kong Roots – People Roots – Bronze	ViuTV	The Association of Accredited Advertising Agencies of Hong Kong
Market Leadership Award 2019/2020 • Market Leadership in Digital Marketing	PCCW Solutions	Hong Kong Institute of Marketing
2020 Most Influential Brands	Viu	Facebook
New York Festivals – TV & Film Awards 2021 • Educational/Instructional – Entertainment Program – Hong Kong – Finalist	ViuTV	New York Festivals
SportsHour Company Scheme – SportsHour Organization	PCCW	Inspiring HK Sports Foundation

At 2021 Kam Fan Awards, ViuTV takes silver and bronze under the categories of Hong Kong Roots – Culture Roots and Hong Kong Roots – People Roots respectively.

Viu finds itself on the list of Facebook's 2020 Most Influential Brands.

Award	Awardee	Scheme Organizer
The Loyalty & Engagement Awards 2021 – Singapore ◎ Best Team of the Year – Bronze ◎ Best Use of Advocates – Gold ◎ Best Use of Content Marketing – Silver ◎ Best Use of Contests/Promotions – Silver ◎ Best Use of Direct Marketing – Bronze ◎ Best Use of Engagement Strategy: Specific Audience – Bronze ◎ Best Use of Influencers – Gold ◎ Best Use of Relationship Marketing: B2C – Bronze ◎ Best Use of Social Media – Gold	Viu Singapore	*Marketing-Interactive*
The Royalty Soapie Awards ◎ Outstanding Lighting Direction	Viu South Africa	The Royalty Soapie Awards
The Telly Awards 2021 ◎ Television General-Public Interest/Awareness – Silver Telly	ViuTV	The Telly Awards
Toronto Lift-Off Film Festival ◎ Audience Choice	Viu Middle East	Toronto Lift-Off Film Festival
Web Accessibility Recognition Scheme 2020-2021 ◎ Website Stream – Silver Award	PCCW	Hong Kong Internet Registration Corporation Limited
YouTube Creator Awards ◎ Gold Creator Award	Viu Thailand	YouTube

This award list does not include awards to HKT Limited and Pacific Century Premium Developments Limited. Please refer to the annual reports of the two companies for related information.

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

LI Tzar Kai, Richard
Chairman

Mr. Li, aged 55, was appointed an Executive Director and the Chairman of PCCW in August 1999. He is the Chairman of PCCW's Executive Committee and a member of the Nomination Committee of the Board. He is also the Chairman and Chief Executive of the Pacific Century Group, a Director of certain FWD group companies, the Executive Chairman and an Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, the Chairman of HKT's Executive Committee and a member of HKT's Nomination Committee, 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.

Srinivas Bangalore GANGAIAH (aka BG Srinivas)
Group Managing Director

Mr. Srinivas, aged 61, was appointed an Executive Director and Group Managing Director of PCCW effective from July 2014. He is a member of PCCW's Executive Committee and holds directorships in certain PCCW group companies.
He is also a Non-Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust.
He is also an Alternate Director of certain FWD group companies controlled by Mr. Li Tzar Kai, Richard, the Chairman of PCCW.(Note 1)

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.

HUI Hon Hing, Susanna
Group Chief Financial Officer

Ms. Hui, aged 57, was appointed an Executive Director of PCCW in May 2010. She is a member of PCCW's Executive Committee. She has been the Group Chief Financial Officer of PCCW since April 2007 and holds directorships in various PCCW group companies.
She is also the Group Managing Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust and a member of HKT's Executive Committee.(Note 2)

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 the Group Chief Financial Officer of HKT from November 2011 to August 2018, 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.

Notes:
Subsequent to the date of this annual report:

1. Mr. Srinivas retired as an Executive Director and Group Managing Director of PCCW as well as a Non-Executive Director of HKT Limited and HKT Management Limited, the trustee-manager of the HKT Trust and ceased to hold directorships in certain PCCW group companies with effect from February 28, 2022. He also retired as an Alternate Director of certain FWD group companies with effect from March 1, 2022.
2. Ms. Hui is also the Acting Group Managing Director of PCCW with effect from March 1, 2022.

NON-EXECUTIVE DIRECTORS

TSE Sze Wing, Edmund, GBS

Non-Executive Director

Mr. Tse, aged 84, is a Non-Executive Director of PCCW. He was an Independent Non-Executive Director of PCCW from September 2009 to March 2011 and was re-designated to a Non-Executive Director of PCCW in March 2011. He is also a member of the Regulatory Compliance Committee of the Board.

Mr. Tse is the Independent Non-Executive Chairman and an Independent Non-Executive Director of AIA Group Limited. From 1996 until June 2009, Mr. Tse was Director of American International Group, Inc. (AIG) and from 2001 until June 2009, he was Senior Vice Chairman – Life Insurance of AIG. From 2000 until June 2009, he was Chairman and Chief Executive Officer of American International Assurance Company, Limited and from 2005 until April 2015, he was the Chairman of The Philippine American Life and General Insurance Company. Mr. Tse has held various senior positions and directorships in other AIG companies. Mr. Tse is also the Non-Executive Chairman for Asia ex-Japan of PineBridge Investments Asia Limited and a Director of Bridge Holdings Company Limited which are asset management companies owned indirectly by Mr. Li Tzar Kai, Richard, the Chairman of PCCW. Mr. Tse was a Non-Executive Director of PICC Property and Casualty Company Limited from June 2004 until July 2014.

Mr. Tse was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region in 2001 in recognition of his outstanding efforts in respect of the development of Hong Kong's insurance industry. Mr. Tse graduated with a Bachelor of Arts degree in Mathematics from the University of Hong Kong (HKU) in 1960. HKU conferred an Honorary Fellowship and an Honorary Doctorate Degree in Social Sciences on Mr. Tse in 1998 and 2002 respectively. He also obtained diplomas from the College of Insurance and the Graduate School of Business of Stanford University. He has extensive management experience in the insurance market, both in Asia and globally. In 2003, Mr. Tse was elected to the prestigious Insurance Hall of Fame and in 2017, Mr. Tse was awarded the first ever "Lifetime Achievement Award" at the Pacific Insurance Conference in recognition of his outstanding contribution to the insurance industry. In 2018, Mr. Tse was conferred an Honorary Degree of Doctor of Business Administration by Lingnan University. In 2019, Mr. Tse was also conferred Fellowship by the Hong Kong Academy of Finance. Mr. Tse serves many community and professional organizations as well as educational institutions. He is also a director of AIA Foundation, which supports charitable causes in Hong Kong.

MAI Yanzhou

Deputy Chairman

Mr. Mai, aged 52, became a Non-Executive Director of PCCW in March 2020. He was appointed Deputy Chairman in December 2021 and is a member of PCCW's Executive Committee. He is also a Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, and a member of HKT's Remuneration Committee, Nomination Committee and 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.*(Note 3)*

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.

Note:

3. 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.

MENG Shusen
Non-Executive Director
Ms. Meng, aged 49, became a Non-Executive Director of PCCW in December 2021. She is a member of the Remuneration Committee of the Board.

Ms. Meng is currently the Chairwoman and President of China Unicom Global Limited (CUG), a subsidiary of China United Network Communications Group Company Limited (Unicom).

Ms. Meng has served as the Deputy General Manager of Global Business Department of the Unicom group since 2008 and was promoted as the Chairwoman and President of CUG in 2017. She served as the Deputy Head of Technology Department, the General Manager of Marketing Department in China Telecom Group Beijing Corporation from 2000 to 2004; and during 2004 and 2008, she served as the Deputy General Manager of Enterprise Customer Business Unit and the Deputy Director of Board Secretariat in China Network Communications Group Corporation.

Ms. Meng is a postgraduate with a doctorate degree in Electric Circuit and System. Ms. Meng has extensive experience in technologies and services, sales and marketing of telecom company, and corporate governance of listed companies.

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

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 Unicompay Company Limited (Unicompay).

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 Unicompay, and the General Manager of UGFCL and the General Manager of Capital Management Center.

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.

WEI Zhe, David
Non-Executive Director
Mr. Wei, aged 51, is a Non-Executive Director of PCCW. He was appointed an Independent Non-Executive Director of PCCW in November 2011 and was re-designated to a Non-Executive Director of PCCW in May 2012. He is also a member of the Remuneration Committee of the Board.

Mr. Wei has over 20 years of experience in both investment and operational management in the People's Republic of China. Prior to launching Vision Knight Capital (China) Fund I, L.P., a private equity investment fund in 2011, Mr. Wei was an executive director and chief executive officer of Alibaba.com Limited, a leading worldwide B2B e-commerce company, from 2007 to 2011, where he successfully led the company through its initial public offering and listing on The Stock Exchange of Hong Kong Limited in 2007. Alibaba.com Limited was delisted in June 2012. Prior to Alibaba.com Limited, Mr. Wei was the president, from 2002 to 2006, and chief financial officer, from 2000 to 2002, of B&Q China, the then subsidiary of Kingfisher plc, a leading home improvement retailer in Europe and Asia. Under Mr. Wei's leadership, B&Q China grew to become China's largest home improvement retailer. From 2003 to 2006, Mr. Wei was also the chief representative for Kingfisher's China sourcing office, Kingfisher Asia

Limited. Prior to that, Mr. Wei served as the head of investment banking at Orient Securities Company Limited from 1998 to 2000, and as corporate finance manager at Coopers & Lybrand (now part of PricewaterhouseCoopers) from 1995 to 1998. Mr. Wei was a non-executive director of HSBC Bank (China) Company Limited, The Hongkong and Shanghai Banking Corporation Limited and Zhong Ao Home Group Limited; a director of 500.com Limited, Shanghai M&G Stationery Inc., Informa PLC, UBM plc, Hitevision Co., Ltd. and BlueCity Holdings Limited; an independent director of Fangdd Network Group Ltd., Leju Holdings Limited and OneSmart International Education Group Limited; and also the vice chairman of China Chain Store & Franchise Association. He was voted as one of “China’s Best CEOs” by FinanceAsia magazine in 2010. Mr. Wei currently serves as an executive director of Zall Smart Commerce Group Ltd.; and a non-executive director of JNBY Design Limited.

He holds a bachelor’s degree in international business management from Shanghai International Studies University and has completed a corporate finance program at London Business School.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Aman MEHTA

Independent Non-Executive Director

Mr. Mehta, aged 75, became an Independent Non-Executive Director of PCCW in February 2004 and is the Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Board. He is also an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, and the Chairman of HKT’s Nomination Committee.

Mr. Mehta joined the Board 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 PCCW effective from 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. She is also an Independent Non-Executive Director of HKT Limited (HKT) and HKT Management Limited, the trustee-manager of the HKT Trust, and the Chairwoman of HKT’s Remuneration Committee, and 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.

Bryce Wayne LEE

Independent Non-Executive Director

Mr. Lee, aged 57, was appointed an Independent Non-Executive Director of PCCW in May 2012 and is a member of the Audit Committee and the Remuneration Committee of the Board.

Mr. Lee joined Silver Lake in 2011 and is a Managing Director, Head of Business Development and Co-Head of Fundraising and Investor Relations of Silver Lake. He assists in driving new investments primarily in the Asia region for Silver Lake Partners and managing the Silver Lake Kraftwerk portfolio. Previously, he was a Managing Director of Credit Suisse Group AG (Credit Suisse) in the Investment Banking division, serving as head of the Technology Group for the Americas and as co-head of the Alternative Energy Group. Mr. Lee was instrumental in building a number of Credit Suisse's franchises including its Asian technology investment banking business and was named to Forbes magazine's "Midas List" of the top 100 technology dealmakers in the world. He was a member of Credit Suisse's Investment Banking Committee and served on the Managing Director Evaluation Committee. Mr. Lee is a member of the Council on Foreign Relations.

Mr. Lee is currently on the boards of directors of Eka Software Solutions and Peloton Computer Enterprises, in addition to being responsible for Silver Lake Kraftwerk's investment in Didi Chuxing and Omio (formerly GoEuro). Previously, he served on the board of Quorum Business Solutions. Mr. Lee graduated from Stanford University.

Lars Eric Nils RODERT

Independent Non-Executive Director

Mr. Rodert, aged 60, was appointed an Independent Non-Executive Director of PCCW in November 2012 and is a member of the Audit Committee of the Board.

Mr. Rodert is the founder and Chief Executive Officer of ÖstVäst Advisory AB. He has served as an independent director of Brookfield Asset Management Reinsurance Partners Ltd. since November 2021. He is also a director of Brookfield Property Partners L.P.'s General Partner and Brookfield Property REIT Inc., and was a director of Brookfield Infrastructure Partners L.P.'s Managing General Partner from December 2010 to April 2013. He was a Senior Portfolio Manager for Inter IKEA Treasury in North America and Europe. Prior to this role, he was most recently Chief Investment Officer, Global Equities, at SEB Asset Management and prior to that he was Head of North American Equities at the same firm. Based in Sweden, Mr. Rodert has an in depth knowledge of continental European markets and is seasoned in analyzing investment opportunities. He holds a Master of Science Degree in Business and Economics from Stockholm University.

David Christopher CHANCE

Independent Non-Executive Director

Mr. Chance, aged 64, was appointed an Independent Non-Executive Director of PCCW and the Independent Non-Executive Chairman and Director of PCCW Media Limited, a subsidiary of PCCW in November 2013.

Mr. Chance is a Non-Executive Director of The Really Useful Group Limited, and was the Non-Executive Chairman of Modern Times Group MTG AB and the Non-Executive Chairman of Nordic Entertainment Group AB. He has significant senior management experience particularly in the area of pay television having been formerly the Executive Chairman of Top Up TV Ltd. between 2003 and 2011, and the Deputy Managing Director of British Sky Broadcasting Group plc between 1993 and 1998. He was also a Non-Executive Director of ITV plc and O2 plc. He graduated with a Bachelor of Arts degree, a Bachelor of Science degree and a Master of Business Administration degree from the University of North Carolina.

David Lawrence HERZOG

Independent Non-Executive Director

Mr. Herzog, aged 62, was appointed an Independent Non-Executive Director of PCCW in October 2017. He is also a member of the Remuneration Committee, the Nomination Committee and the Regulatory Compliance Committee of the Board.

Mr. Herzog retired from AIG in April 2016 after seven and a half years as the Executive Vice President and Chief Financial Officer. Mr. Herzog joined American General Corporation in February 2000 as Executive Vice President and Chief Financial Officer of the Life Division. Following AIG's acquisition of American General in 2001, he was also named Chief Operating Officer for the combined U.S. domestic life insurance companies. He was elected Vice President, Life Insurance for AIG in 2003 before being named Vice President and Chief Financial Officer, Global Life Insurance in 2004. In 2005, Mr. Herzog was named Comptroller, an office he held until October 2008 when he was appointed to the position from which he retired in 2016. As Chief Financial Officer for AIG, Mr. Herzog was part of the team that oversaw the restructuring of the company, including over 50 divestitures, debt reductions and maturity profile rebalancing, repayment of the U.S. Government support with an approximate US$23 billion profit and led the Finance Team Transformation of technology, processes and talent.

Prior to joining American General, Mr. Herzog held numerous positions at General American Life Insurance Company. Prior to joining General American Life, Mr. Herzog was Vice President and Controller for Family Guardian Life, a CitiGroup company and an Audit Supervisor with Coopers & Lybrand.

Mr. Herzog serves on the board of directors of Ambac Financial Group, Inc. and is Chairman of its Audit Committee. Mr. Herzog also serves on the board of directors for MetLife, Inc. and is a member of its Finance and Risk Committee, Compensation Committee and chairs the Audit Committee. Mr. Herzog also serves on the board of directors of DXC Technology and serves on its Audit Committee. He is a former Director of AerCap Holdings N.V. and International Lease Finance Corporation prior to its sale to AerCap. In addition, Mr. Herzog has served on the boards of directors for numerous U.S. and foreign subsidiary insurance company boards.

Mr. Herzog holds a bachelor's degree in Accountancy from the University of Missouri – Columbia and an M.B.A. in Finance and Economics from the University of Chicago. Additionally, he has attained the designations of Certified Public Accountant, Fellow in the Life Office Management Association and Fellow of the National Association of Corporate Directors.

CORPORATE GOVERNANCE REPORT

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

The board of directors of the Company (the "Board") has adopted a Corporate Responsibility Policy and a Corporate Social Responsibility Policy that apply to all employees, including directors and officers, of the Company and its subsidiaries (collectively the "Group").

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

CORPORATE STRATEGY

PCCW, in conjunction with its listed subsidiary HKT Limited ("HKT"), offers a unique quadruple-play experience in Hong Kong delivering media content on its fixed-line, broadband Internet access and mobile platforms. PCCW also owns one of the leading IT solutions providers in Hong Kong and mainland China, as part of its core business. PCCW's strategy for generating and preserving shareholder 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 and its mobile network coverage and speed continuously improve – and overall to invest in our people to continuously improve the quality of service that PCCW provides to its customers. PCCW also invests prudently in innovative new technology and attractive content offerings for its highly successful Now TV service, free television ViuTV service and Viu OTT (over-the-top) service, and to develop the scale and capabilities of its IT solutions business. PCCW generates and preserves value by investing in these businesses and pursuing growth opportunities. Its strategy is to continue to develop the growth businesses (media and IT solutions) which are owned by PCCW and to maintain its majority ownership of HKT.

CORPORATE GOVERNANCE CODE

PCCW has applied the principles, and complied with all code provisions of the applicable Corporate Governance Code (the "CG Code") in each case as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended December 31, 2021, save and except in relation to code provision F.1.2 as 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 Board), rather than at a physical meeting of the Board as required under code provision F.1.2. 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 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 Company participated in the annual general meeting of the Company on May 7, 2021 by video/audio conferencing, and such directors, including the chairpersons of the Board committees, were available to answer questions at the meeting pursuant to code provision E.1.2 of the CG Code.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted its own code of conduct regarding securities transactions, namely the PCCW Code of Conduct for Securities Transactions (the "PCCW Code"), which applies to all directors and employees of the Company 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 Company, confirmations have been received of compliance with the required standard set out in the Model Code and the PCCW Code during the year.

The directors' and chief executives' interests and short positions in the shares, share stapled units, underlying shares, underlying share stapled units and debentures of the Company and its associated corporations have been disclosed in the Report of the Directors of this annual report.

BOARD OF DIRECTORS

The Board is responsible for the management of the Company. Key responsibilities of the Board include formulation of the overall strategies of the Group, the setting of management targets, and supervision of management performance. The 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 Executive Committee under the leadership of the Chairman of PCCW:

- those functions and matters as set out in the terms of reference of various committees (as amended from time to time) for which Board approval must be sought from time to time;

- those functions and matters for which Board approval must be sought in accordance with the Group's internal policies (as amended from time to time);

- consideration and approval of financial statements in the interim and annual reports, and announcements of interim and annual results;

- consideration of dividend amounts in accordance with the dividend policy as adopted by the Board; and

- monitoring of the corporate governance practices and procedures; and maintenance of appropriate and effective risk management and internal control systems of the Group to ensure compliance with applicable rules and regulations.

The Chairman of PCCW is Li Tzar Kai, Richard and the Group Managing Director is BG Srinivas until he retired from this position with effect from February 28, 2022 (subsequent to the date of this report). Hui Hon Hing, Susanna has become the Acting Group Managing Director of PCCW with effect from March 1, 2022. The role of the Chairman is separate from that of the Group Managing Director. The Chairman is responsible for ensuring the Board functions effectively, providing leadership for the Board 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 Company in conducting its business affairs in accordance with the Company's objectives, and implementing the Group's strategies and policies. The Board's composition is set out in the Report of the Directors of this annual report.

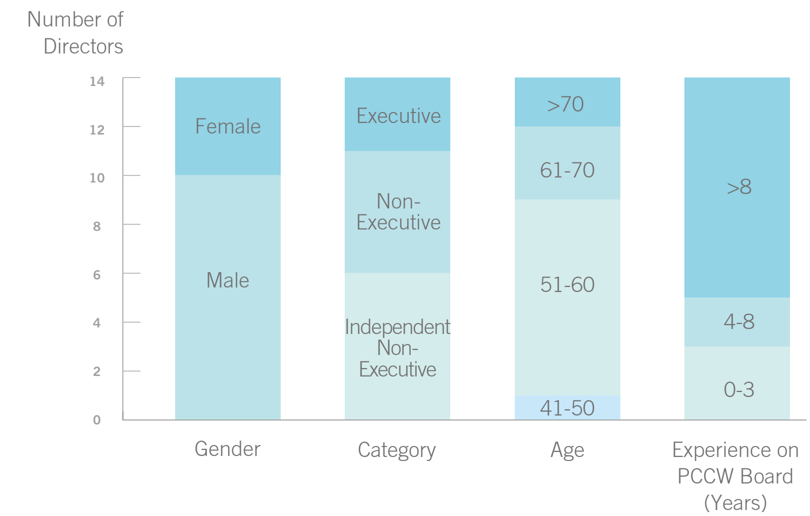
All directors have full and timely access to all relevant information, including monthly updates from the management, regular reports from various Board committees and briefings on significant legal, regulatory or accounting issues affecting the Group. Directors may take independent professional advice,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

The directors acknowledge their responsibility for preparing the financial statements for each financial year, which give a true and fair view of the financial position of the Company and the Group and of the financial performance and cash flows of the Group 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 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 statement of the external auditor of the Company relating to its reporting responsibilities on the financial statements of the Company is set out in the Independent Auditor's Report of this annual report.

As at the date of this report, the Board is comprised of 14 directors including three executive directors, five non-executive directors and six independent non-executive directors. At least one-third of the Board are independent non-executive directors and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise. Biographies of all the directors are set out on pages 16 to 21 of this annual report and are available on the Company's website (www.pccw.com). The relationships (including financial, business, family or other material or relevant relationships), if any, among members of the Board have also been disclosed in the Report of the Directors of this annual report.

BOARD OF DIRECTORS *(CONTINUED)*

Board Composition

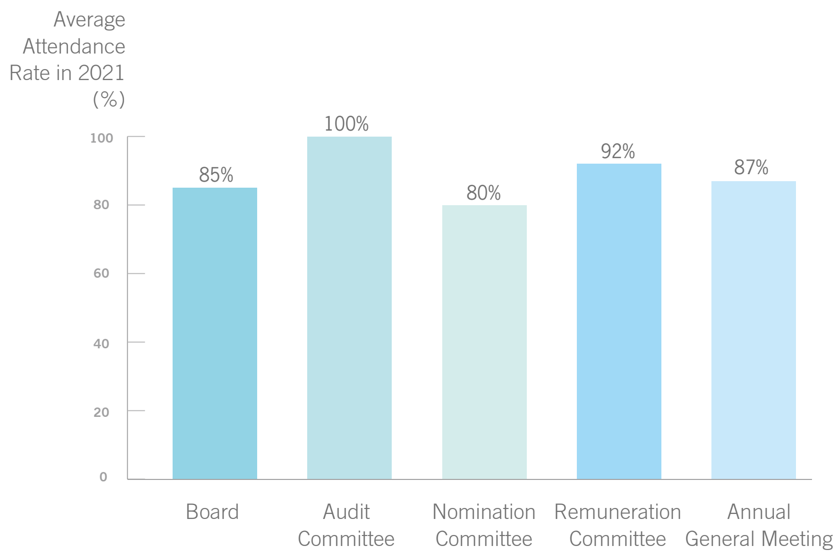


The Company has arranged appropriate directors and officers liability insurance cover for its directors and officers.

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

The Board held four meetings in 2021. The annual general meeting of the Company 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 Board and its committee meetings, and the annual general meeting held in 2021:



BOARD OF DIRECTORS *(CONTINUED)*

Name	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting *(Note 2)*
	Meetings attended/eligible to attend in 2021 *(Note 1)*				
Executive Directors					
Li Tzar Kai, Richard	4/4	N/A	1/1	N/A	1/1
BG Srinivas	4/4	N/A	N/A	N/A	1/1
Hui Hon Hing, Susanna	4/4	N/A	N/A	N/A	1/1
Lee Chi Hong, Robert *(Note 3)*	4/4	N/A	N/A	N/A	1/1
Non-Executive Directors					
Tse Sze Wing, Edmund	4/4	N/A	N/A	N/A	1/1
Li Fushen *(Note 4)*	0/4	N/A	N/A	N/A	0/1
Mai Yanzhou *(Note 5)*	1/4	N/A	N/A	1/2	0/1
Zhu Kebing *(Note 6)*	2/4	N/A	0/1	N/A	1/1
Meng Shusen *(Note 7)*	N/A	N/A	N/A	N/A	N/A
Wang Fang *(Note 8)*	N/A	N/A	N/A	N/A	N/A
Wei Zhe, David	4/4	N/A	N/A	2/2	1/1
Independent Non-Executive Directors					
Aman Mehta	4/4	3/3	1/1	2/2	1/1
Frances Waikwun Wong	4/4	N/A	1/1	2/2	1/1
Bryce Wayne Lee	4/4	3/3	N/A	2/2	1/1
Lars Eric Nils Rodert	4/4	3/3	N/A	N/A	1/1
David Christopher Chance	4/4	N/A	N/A	N/A	1/1
David Lawrence Herzog	4/4	N/A	1/1	2/2	1/1

Notes:

1. Directors may attend meetings in person, by telephone or through other means of video conference or by their alternate directors in accordance with the Company's articles of association (the "Articles of Association").

2. Having regard to the mandatory global travel restrictions in connection with the COVID-19 pandemic, certain directors of the Company participated in the 2021 annual general meeting by video/audio conferencing.

3. Resigned as an Executive Director with effect from December 29, 2021.

4. Resigned as a Non-Executive Director with effect from December 17, 2021.

5. Resigned as a member of the Remuneration Committee with effect from December 29, 2021.

6. Resigned as a Non-Executive Director and as a member of the Nomination Committee with effect from December 17, 2021.

7. Appointed as a Non-Executive Director and as a member of the Remuneration Committee with effect from December 29, 2021.

8. Appointed as a Non-Executive Director and as a member of the Nomination Committee with effect from December 29, 2021.

BOARD OF DIRECTORS *(CONTINUED)*

The Company has received from each of its independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers that all six independent non-executive directors as at the date of this report, namely, Aman Mehta, Frances Waikwun Wong, Bryce Wayne Lee, Lars Eric Nils Rodert, David Christopher Chance and David Lawrence Herzog 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 Report of the Directors of this annual report.

According to the Articles of Association, any director so appointed by the Board either to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting or the next following annual general meeting of the Company (as the case may be) and shall be eligible for re-election at that meeting. In addition, 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 Articles of Association, each non-executive director has a term of three years. Therefore, no director will remain in office for a term of more than three years. The directors who shall retire from office at the forthcoming annual general meeting of the Company are set out in the Report of Directors of this annual report.

The Board has a structured process to evaluate its 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 Board and the committees, as well as the directors have adequately and effectively performed its/their roles and fulfilled its/their responsibilities; have devoted sufficient time commitment to the Company's affairs; and to recommend areas for improvement. The evaluation process has confirmed that the Board 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 for the year ended December 31, 2021 were generally satisfactory.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed director of the Company will meet with fellow directors and senior management to assist him/her in understanding the Company's operations and business, and he/she will receive a tailored induction handbook containing the Company'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 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 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)
BG Srinivas	(a), (b)
Hui Hon Hing, Susanna	(a), (b)
Tse Sze Wing, Edmund	(a), (b)
Mai Yanzhou	(b)
Meng Shusen	(b)
Wang Fang	(b)
Wei Zhe, David	(a), (b)
Aman Mehta	(a), (b)
Frances Waikwun Wong	(a), (b)
Bryce Wayne Lee	(a), (b)
Lars Eric Nils Rodert	(a), (b)
David Christopher Chance	(a), (b)
David Lawrence Herzog	(a), (b)
Former Directors	
Lee Chi Hong, Robert	(a), (b)
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

BOARD COMMITTEES

The 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 has been structured to only include independent non-executive directors, and the Nomination Committee and the Remuneration Committee have been structured to include a majority of independent non-executive directors.

Executive Committee and Sub-committees

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

As at the date of this annual report, the Executive Committee is comprised of four members, including three executive directors and one non-executive director. The members of the Executive Committee are:
Li Tzar Kai, Richard *(Chairman)*
BG Srinivas
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;

(2) Lee Chi Hong, Robert resigned as a member with effect from December 29, 2021; and

(3) Mai Yanzhou was appointed as a member with effect from December 29, 2021.

BOARD COMMITTEES *(CONTINUED)*

Executive Committee and Sub-committees *(continued)*

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

The *Operational Committee* is chaired by the Group Managing Director and meets from time to time to direct the business units/operations of PCCW group companies.

The *Risk Management, Controls and Compliance Committee*, which reports to the Executive Committee, is comprised of senior members of PCCW'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 PCCW's annual and interim reports and the Group's policies from time to time to ensure compliance with the various rules and obligations imposed on it as a company listed on The Stock Exchange of Hong Kong Limited, 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 Executive Committee, is comprised of senior members of PCCW'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.

Remuneration Committee

The Board established the Remuneration Committee in May 2003. 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 and other members of the Group who will underpin the success of the Company and enhance the value of the Company to shareholders.

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 determining, with delegated responsibility, the remuneration packages of individual executive directors and senior management of the Company and to make recommendations to the Board on the remuneration of non-executive directors. In addition, the committee provides effective supervision and administration of the Company's share option scheme, as well as other share 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.pccw.com/ir and the website of Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkexnews.hk. This committee is comprised of six members, including four independent non-executive directors and two non-executive directors, and is chaired by an independent non-executive director.

As at the date of this annual report, the members of the Remuneration Committee are:
Aman Mehta *(Chairman)*
Wei Zhe, David
Meng Shusen
Frances Waikwun Wong
Bryce Wayne Lee
David Lawrence Herzog

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

(1) Mai Yanzhou resigned as a member with effect from December 29, 2021; and

(2) Meng Shusen was appointed as a member with effect from December 29, 2021.

BOARD COMMITTEES *(CONTINUED)*

Remuneration Committee *(continued)*

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 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.

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 25 of this annual report.

The work performed by the Remuneration Committee during 2021 included:

(i) review and approval of the emoluments of executive directors and senior management, including 2020 performance bonus;

(ii) review and approval of the 2021 business key performance indicators and performance bonus scheme for executive directors and senior management; and

(iii) review of the terms of reference of the Remuneration Committee.

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

BOARD COMMITTEES *(CONTINUED)*

Nomination Committee

The Board established the Nomination Committee in May 2003. The primary objective of the Nomination Committee is to assist the Board in ensuring a fair and transparent procedure for the appointment and re-appointment of directors to the Board, and maintaining a balance of skills, knowledge, experience and diversity of perspectives on the 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 Board adopted a board diversity policy (the "Board Diversity Policy") with a primary objective to enhance the effectiveness of the Board and the corporate governance standard through promoting and achieving diversity on the Board. The Group recognizes the importance of having a diverse team of Board members, which is an essential element in maintaining an effective Board.

The Board also 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 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 Board and other factors which are relevant to the Company. The Nomination Committee will consider, amongst other things, the accomplishment, expertise, experience and diversity of perspectives that the candidate can bring to the Board, and the candidate's commitment in respect of available time and relevant interests. The Nomination Committee will make recommendations to the Board on 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 Board with respect to their re-election by shareholders at general meetings.

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)*
Li Tzar Kai, Richard
Wang Fang
Frances Waikwun Wong
David Lawrence Herzog

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

(1) Zhu Kebing 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.

On February 24, 2022, the Nomination Committee, having reviewed the Board's structure, size and composition, nominated Li Tzar Kai, Richard, Meng Shusen, Wang Fang, Wei Zhe, David and Lars Eric Nils Rodert to the 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 was satisfied that Lars Eric Nils Rodert has the required integrity, skills and knowledge to continue acting in an independent capacity and contributing to the diversity on the Board with his unique combination of experience and knowledge as described in his biography set out in this annual report. The Nomination Committee formed the view that the 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.

BOARD COMMITTEES *(CONTINUED)*

Nomination Committee *(continued)*

The Nomination Committee met once in 2021. The attendance of individual directors at the committee meeting is set out on page 25 of this annual report.

The work performed by the Nomination Committee during 2021 included:

(i) review and assessment of the independence of all independent non-executive directors of the Company;

(ii) recommendation to the Board for approval the list of retiring directors for re-election at the 2021 annual general meeting;

(iii) recommendation to the Board for approval of the appointment of each of Meng Shusen 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;

(iv) annual review of the structure, size and composition of the Board taking into account the Board Diversity Policy and the Nomination Policy, with a recommendation to the Board for approval; and

(v) review of the terms of reference of the Nomination Committee.

Audit Committee

The Audit Committee of the Board is responsible for assisting the Board to ensure objectivity and credibility of financial reporting, and that the directors have exercised the care, diligence and skills prescribed by law when presenting the Group's results to the shareholders. The Audit Committee is also responsible for assisting the Board to ensure that effective risk management and internal control systems of the Group are in place and good corporate governance standards and practices are maintained by the 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 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 pre-approved by the Audit Committee.

During the year, the external auditor provided audit, audit related and permissible non-audit services to the Group. Audit services include services provided in connection with the audit of the Group's consolidated financial statements. Audit related services include services such as issuance of special audit or assurance reports for tax or other regulatory purposes, and accounting advice related to material transactions, 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 Group by the external auditor amounted to approximately HK$28 million, HK$3 million and HK$29 million, respectively.

On February 23, 2022, the Audit Committee recommended to the Board the re-appointment of PricewaterhouseCoopers to conduct statutory audits in respect of the Company for the financial year 2022 at the forthcoming annual general meeting.

BOARD COMMITTEES *(CONTINUED)*

Audit Committee *(continued)*

The Audit Committee is comprised of three members, each of them is an independent non-executive director.

The members of the Audit Committee during 2021 and up to the date of this annual report are:
Aman Mehta *(Chairman)*
Bryce Wayne Lee
Lars Eric Nils Rodert

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 25 of this annual report.

The work performed by the Audit Committee during 2021 included:

(i) review of the draft annual report and the draft annual results announcement for the year ended December 31, 2020, with a recommendation to the Board for approval;

(ii) 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 Board for the re-appointment of PricewaterhouseCoopers at the 2021 annual general meeting;

(iii) 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 Board for approval;

(iv) 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 Board for approval;

(v) review and approval of the Group Internal Audit reports (including the internal audit work plan) and the progress of the internal audit function made during 2021;

(vi) 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 Board for approval;

(vii) review and approval of PricewaterhouseCoopers' confirmation of independence and its report to the Audit Committee for the six months ended June 30, 2021;

(viii) review and approval of the audit strategy memorandum for the year ending December 31, 2021;

(ix) review and approval of PricewaterhouseCoopers' draft audit engagement letter for the year ending December 31, 2021;

(x) review and approval of PricewaterhouseCoopers' pre-year end report to the Audit Committee for the year 2021;

(xi) consideration and approval of the 2021 audit and non-audit services and pre-approval of the 2022 annual budget for audit and non-audit services;

(xii) 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 Board for approval;

(xiii) review of the draft environmental, social and governance ("ESG") report for the year ended December 31, 2020, with a recommendation to the Board for approval;

BOARD COMMITTEES *(CONTINUED)*

Audit Committee *(continued)*

(xiv) 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;

(xv) review and assessment of effectiveness of the risk management and internal control systems of the Group during 2021;

(xvi) 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 Board, its committees, and directors' contribution, with a recommendation to the Board for approval;

(xvii) review and monitoring of training and CPD for directors and senior management; and

(xviii) review of the terms of reference of the Audit Committee.

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

Regulatory Compliance Committee

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 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 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.

The members of the Regulatory Compliance Committee during 2021 and up to the date of this annual report are:
Frances Waikwun Wong *(Chairperson)*
Tse Sze Wing, Edmund
David Lawrence Herzog

REGULATORY COMPLIANCE COMMITTEE OF PCCW MEDIA LIMITED

PCCW Media Limited ("PCCW Media"), previously an indirect wholly-owned subsidiary of the Company, has become an indirect wholly-owned subsidiary of HKT since September 2020. The Regulatory Compliance Committee of PCCW Media is comprised of the same members as the PCCW Regulatory Compliance Committee. It 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 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.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for overseeing the risk management and internal control systems of the Group and reviewing their effectiveness at least annually through the Audit Committee. The Audit Committee assists the Board in fulfilling its 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 Board and/or the Audit Committee in reviewing the effectiveness of the Group's risk management and internal control systems on an ongoing basis. The Board through these committees is 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:

The First Line of Defence is responsible for identifying and managing risk as part of their 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 Committee and the RMCCC such that any material findings will be reported to the Board.

The Third Line of Defence provides the Board, 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.

RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

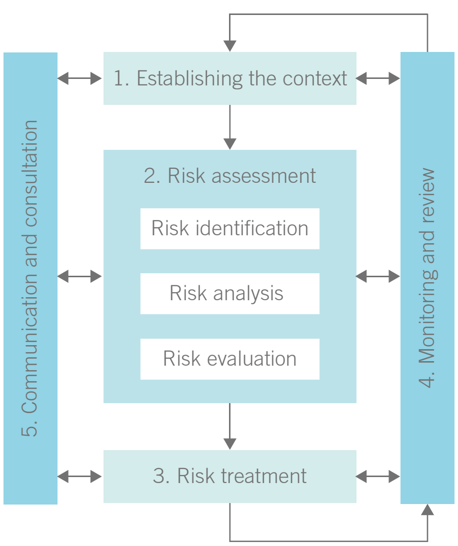
Group Risk Management and Compliance ("GRM&C") is responsible for the supervision of enterprise risk management activities while reviewing significant aspects of risk exposures of the Group through reporting to the Audit Committee at each regularly scheduled meeting, including key risks of the Group and the appropriate mitigation and/or transfer of identified risks. The operating units of the 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 Committee 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 Committee, executive and senior management of the Group (as the case may be) periodically.

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

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 Board and/or the Audit Committee on the effectiveness of these systems.

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:



1	GRM&C establishes common risk language, culture and risk assessment criteria for the Group.
2	Business Units identify the risks which may potentially impact the achievement of their business objectives, and analyze and evaluate the significance of such risks.
3	Business Units assess the adequacy of existing controls, determine and implement treatment plans where risk mitigation is actionable.
4, 5	Business Units monitor risk mitigating activities. GRM&C tracks the progress of risk mitigating activities; reports the consolidated view of risks regularly to Audit Committee and other sub-committees as appropriate; and shares risk knowledge across Business Units to enhance the risk management standards of the Group. GIA reports regularly to the Board and/or Audit Committee to provide independent assurance on the effectiveness of risk management function.

RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

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 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 Committee has 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 Chairman of the Audit Committee has designated the Head of GIA to receive on his 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 Committee.

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 Committee where they were reviewed and distributed to the Board. 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 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 Committee, which was then reviewed and reported the same to the Board. GIA would review these risk registers as part of its annual internal audit planning process.

The Audit Committee and the Board 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 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.

RISK MANAGEMENT AND INTERNAL CONTROLS *(CONTINUED)*

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.

COMPANY SECRETARY

Ms. Cheung Hok Chee, Vanessa was appointed the Group General Counsel and Company Secretary of the Company in October 2021. She is also the Group General Counsel and Company Secretary of HKT Management Limited (the trustee-manager of the HKT Trust) and HKT. All directors have access to the advice and services of the company secretary, who is responsible for ensuring that the Board procedures are followed, advising the Board 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.

SHAREHOLDERS' RIGHTS

Procedures to convene a general meeting and put forward proposals at general meetings

Shareholder(s) representing at least 5% of the total voting rights of all the shareholders of the Company having a right to vote at general meetings may request the directors to call a general meeting of the Company pursuant to the Hong Kong Companies Ordinance. The request must state the general nature of the business to be dealt with, and may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting. The request may be sent to the Company at the registered office of the Company in hard copy form or in electronic form for the attention of the company secretary, and must be authenticated by the person(s) making it.

Shareholders can refer to the detailed requirements and procedures as set forth in the relevant sections of the Hong Kong Companies Ordinance and the Articles of Association when making any requisitions or proposals for transaction at the general meetings of the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send enquiries to the Board in writing c/o the Corporate Secretariat with the following contact details:

Attention:	Company Secretary
Address:	41st Floor, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Fax:	+852 2962 5725
Email:	co.sec@pccw.com

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company is committed to promoting and maintaining effective communication with the shareholders (both individual and institutional) and other stakeholders. A Shareholders Communication Policy has been adopted for ensuring the Company provides the shareholders and the investment community with appropriate and timely information about the Company in order to enable the shareholders to exercise their rights in an informed manner, and to allow the investment community to engage actively with the Company. The Shareholders Communication Policy is available on the Company's website (www.pccw.com/ir).

The Board approved and adopted a dividend policy in November 2018 which sets out its overall objective to deliver steady and sustainable returns to its shareholders. In proposing any dividend payment, the Board will take into account a number of factors which include the Group's financial position and results of operation, the distributions received from its subsidiaries (including from the HKT Trust) and other investments, the funding needs for the operation and expansion of the Group's businesses, the prevailing economic and market conditions, and other factors the Board may consider relevant and appropriate. In general, the dividend payment for a financial year will be made on a semi-annual basis. The policy states the current intention of the Board which is subject to change.

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

In addition to dispatching this annual report to the shareholders, financial and other information relating to the Group and its business activities is disclosed on the Company's website in order to promote effective communication.

Regular dialogue takes place with the investment community. Inquiries from individuals on matters relating to their shareholdings and the business of the Company are dealt with in an informative and timely manner. The relevant contact information is provided on page 236 of this annual report and also provided in the Shareholders Communication Policy.

In light of the development of the current COVID-19 situation, shareholders are strongly encouraged to appoint the chairman of the 2022 annual general meeting of the Company ("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 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 shareholders and on the Company's website as appropriate.

CONSTITUTIONAL DOCUMENT

During the year ended December 31, 2021, there was no change made to the constitutional document of the Company. A copy of the constitutional document is available on the websites of the Company and HKEX.

By order of the Board

Cheung Hok Chee, Vanessa
Group General Counsel and Company Secretary
Hong Kong, February 24, 2022

- Revenue from continuing operations increased 7% to HK$38,654 million
  - HKT total revenue up 5% to HK$33,961 million
  - OTT Business revenue up 25% to HK$1,480 million
  - Free TV & Related Business revenue up 152% to HK$800 million
  - Solutions Business revenue up 20% to HK$4,894 million
- EBITDA from continuing operations increased 6% to HK$12,309 million
  - HKT EBITDA up 2% to HK$12,733 million
  - OTT Business EBITDA loss narrowed to HK$23 million
  - Free TV & Related Business EBITDA turned positive to HK$94 million
  - Solutions Business EBITDA up 31% to HK$656 million
- Above results reflect the continuing operations of the Company following the divestment of the Data Center Business and deconsolidation of PCPD
- After accounting for the gain from the Data Center Business divestment and impact of the PCPD deconsolidation, consolidated profit attributable to equity holders of the Company for the year was HK$1,039 million
- Final cash dividend of 27.69 HK cents per ordinary share resulting in full-year cash dividend of 37.05 HK cents per ordinary share, an increase of 15% compared to the prior year

MANAGEMENT REVIEW

The Group registered robust performance across its core businesses of telecommunications, media, and IT solutions services for the year ended December 31, 2021 against the backdrop of a stabilizing environment in Hong Kong and continued expansion of the Group's Media and Solutions Business regionally.

HKT Limited's ("HKT") 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. EBITDA increased by 2% to HK$12,733 million; increased by 5% if adjusted for impact of Employment Support Scheme ("ESS") in 2020. HKT's Telecommunications Services ("TSS") business continued to demonstrate resilience as demand for fast and reliable broadband connectivity and Home Wi-Fi solutions remained strong. Mobile business benefited from the average revenue per user ("ARPU") uplift from new subscriptions and upgrades to our 5G services and customer growth. The Pay TV business, which recorded its first full year as part of HKT, contributed revenue of HK$2,456 million for the year ended December 31, 2021.

In the Media Business, both over-the-top ("OTT") and Free TV & Related Business continued to show favorable prospects, enlarging their revenue by 25% and 152% respectively. The success of the OTT Business is testimony to its high-quality content, including its Viu Original titles, which have spurred further growth in its monthly active users ("MAUs") and paid subscribers. 2021 was a landmark year for ViuTV, built upon our prior continuous investments in the production of relevant and appealing content. This culminated in the success of MIRROR during the year, which we have also cross leveraged across other parts of the Group. Such positive response from viewers has boosted not only advertising revenue but also in artiste management and content syndication. We believe that this is a successful formula which will provide future growth opportunities for ViuTV. With this enlarged revenue base, the OTT Business is nearing EBITDA breakeven, while the Free TV & Related Business turned EBITDA positive during the year.

MANAGEMENT REVIEW *(CONTINUED)*

The Solutions Business recorded a 20% increase in revenue to HK$4,894 million due to the successful implementation of mission critical projects for customers during the year ended December 31, 2021. Benefiting from the growth in revenue and enhanced operating efficiencies, EBITDA increased by 31% to HK$656 million with the margin expanding to 13%.

As a result, the Group's revenue from continuing operations increased by 7% to HK$38,654 million and EBITDA from continuing operations by 6% to HK$12,309 million.

Following the divestment of the Group's Hong Kong and Malaysia data center business ("Data Center Business") and deconsolidation of Pacific Century Premium Developments Limited ("PCPD"), both concluded in December 2021, the results reported above reflect only the continuing operations of the Company.

After accounting for the gain from the Data Center Business divestment and impact of the PCPD deconsolidation, the Group recorded consolidated profit attributable to equity holders of the Company for the year of HK$1,039 million.

The board of Directors (the "Board") has recommended the payment of a final cash dividend of 27.69 HK cents per ordinary share resulting in full-year cash dividend of 37.05 HK cents per ordinary share for the year ended December 31, 2021, an increase of 15% compared to 2020.

OUTLOOK

Viu OTT will strengthen its competitive edge in the direct-to-consumer ("D2C") market by investing in highly-rated Asian content and Viu Original that are relevant to the audiences in each market in partnership with top local production talents across the region. More than 30 new productions in different genres and languages are expected to be released in 2022. With its growing scale, Viu OTT is nearing EBITDA breakeven.

ViuTV will continue to gauge the interest of the domestic audience and produce quality programs to drive viewership for its TV and digital channels, while further promoting its artistes and event business.

PCCW Solutions is strategically focused in sharpening client engagement, expanding its ecosystem with technology partners and new capabilities, and strengthening its talent pool. It will replicate proven solutions to deepen penetration in Southeast Asia and scale industry-specific expertise to win clients for a strong pipeline and recurrent revenue.

HKT is committed to catering for the connectivity needs of Hong Kong by further building upon its 5G infrastructure and maintaining its robust and reliable broadband service. We will seek to commercialize a great variety of 5G applications in healthcare, property and other sectors, and assist the public's shift toward the digital lifestyle, thereby contributing to Hong Kong's development into a smart city.

As year 2022 commenced, the Omicron variant and the social distancing measures re-introduced by the Government as a result have cast new uncertainties on the pace of Hong Kong's economic recovery and the global outlook. PCCW will remain on guard against any headwinds that may arise from this highly dynamic environment, while identifying and pursuing any viable growth opportunities, with a view to creating long term value for our shareholders.

FINANCIAL REVIEW BY SEGMENT

For the year ended December 31, HK$ million	2020 H1[6]	2020 H2[6]	2020 Full Year[6]	**2021 H1[6]**	**2021 H2**	**2021 Full Year**	Better/ (Worse) y-o-y
Continuing operations[6]							
Revenue							
HKT[5]	14,606	17,783	32,389	**15,643**	**18,318**	**33,961**	5%
HKT (excluding Mobile Product Sales)	13,636	16,144	29,780	**14,112**	**15,919**	**30,031**	1%
Mobile Product Sales	970	1,639	2,609	**1,531**	**2,399**	**3,930**	51%
Now TV Business	1,270	595	1,865	**n/a**	**n/a**	**n/a**	n/a
OTT Business	502	685	1,187	**646**	**834**	**1,480**	25%
Free TV & Related Business	130	187	317	**256**	**544**	**800**	152%
Solutions Business	1,595	2,490	4,085	**2,501**	**2,393**	**4,894**	20%
Eliminations	(1,531)	(2,328)	(3,859)	**(1,048)**	**(1,433)**	**(2,481)**	36%
Consolidated revenue	16,572	19,412	35,984	**17,998**	**20,656**	**38,654**	7%
Cost of sales	(8,399)	(10,790)	(19,189)	**(9,804)**	**(11,465)**	**(21,269)**	(11)%
Operating costs before depreciation, amortization, and gains/(losses) on disposal of property, plant and equipment and right-of-use assets, net	(2,910)	(2,227)	(5,137)	**(2,700)**	**(2,376)**	**(5,076)**	1%
EBITDA[1]							
HKT[5]	5,546	6,981	12,527	**5,715**	**7,018**	**12,733**	2%
Now TV Business	198	82	280	**n/a**	**n/a**	**n/a**	n/a
OTT Business	(81)	(72)	(153)	**(20)**	**(3)**	**(23)**	85%
Free TV & Related Business	(95)	(70)	(165)	**(44)**	**138**	**94**	n/a
Solutions Business	92	410	502	**275**	**381**	**656**	31%
Other Businesses	(248)	(212)	(460)	**(237)**	**(301)**	**(538)**	(17)%
Eliminations	(149)	(724)	(873)	**(195)**	**(418)**	**(613)**	30%
Consolidated EBITDA[1]	5,263	6,395	11,658	**5,494**	**6,815**	**12,309**	6%
Consolidated EBITDA[1] Margin	*32%*	*33%*	*32%*	***31%***	***33%***	***32%***	
Depreciation	(1,540)	(1,530)	(3,070)	**(1,474)**	**(1,527)**	**(3,001)**	2%
Amortization	(1,950)	(2,397)	(4,347)	**(2,171)**	**(2,454)**	**(4,625)**	(6)%
Gains/(Losses) on disposal of property, plant and equipment and right-of-use assets, net	–	1	1	**(1)**	**34**	**33**	>500%
Other (losses)/gains, net	(61)	(502)	(563)	**17**	**(62)**	**(45)**	92%
Interest income	40	27	67	**27**	**42**	**69**	3%
Finance costs	(846)	(792)	(1,638)	**(687)**	**(714)**	**(1,401)**	14%
Share of results of associates and joint ventures	(19)	(6)	(25)	**(30)**	**602**	**572**	n/a
Profit before income tax	887	1,196	2,083	**1,175**	**2,736**	**3,911**	88%
Income tax	(367)	(338)	(705)	**(436)**	**(629)**	**(1,065)**	(51)%
Holders of perpetual capital securities	–	–	–	**(109)**	**(117)**	**(226)**	n/a
Non-controlling interests	(857)	(1,054)	(1,911)	**(853)**	**(1,381)**	**(2,234)**	(17)%
Loss attributable to equity holders of the Company from continuing operations*	(337)	(196)	(533)	**(223)**	**(39)**	**(262)**	51%
Consolidated (loss)/profit attributable to equity holders of the Company	(584)	(436)	(1,020)	**(315)**	**1,354**	**1,039**	n/a

* *Excluding a fair value adjustment of PCPD of a credit of HK$648 million upon recognition as an associate*

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

Note 2 *Gross debt refers to the principal amount of short-term borrowings and long-term borrowings.*

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

Note 4 *Adjusted funds flow is defined as EBITDA less capital expenditures, customer acquisition costs and licence fees paid, taxes paid, finance costs and interest expense paid, and adjusted for interest income received and changes in working capital. It is not presented as a measure of leverage or liquidity in accordance with HKFRSs and should not be considered as representing net cash flows or any other similar measures derived in accordance with HKFRSs, or an alternative to cash flow from operations or a measure of liquidity. HKT's adjusted funds flow is computed in accordance with the above definition using financial information derived from HKT's audited consolidated financial statements. The adjusted funds flow may be used for debt repayment.*

Note 5 *Subsequent to the completion of transfer of the Now TV business to HKT on September 30, 2020, results of the Now TV business are included in the HKT business.*

Note 6 *Results reflect the continuing operations of the Company following the divestment of the Data Center Business and deconsolidation of PCPD. The comparative figures presented were restated to reflect the reclassification between continuing operations and discontinued operations of the Group accordingly.*

HKT[5]

For the year ended December 31, HK$ million	2020 H1	2020 H2	2020 Full Year	**2021 H1**	**2021 H2**	**2021 Full Year**	Better/ (Worse) y-o-y
HKT Revenue	14,606	17,783	32,389	**15,643**	**18,318**	**33,961**	5%
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)%
HKT EBITDA[1]	5,546	6,981	12,527	**5,715**	**7,018**	**12,733**	2%
HKT EBITDA[1] margin	*38%*	*39%*	*39%*	***37%***	***38%***	***37%***	
HKT Adjusted Funds Flow[4]	2,280	3,104	5,384	**2,326**	**3,187**	**5,513**	2%

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, 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 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.

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 D2C 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% over the previous year. Annual adjusted funds flow per Share Stapled Unit was 72.77 HK cents.

HKT 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.

For a more detailed review of the performance of HKT, including detailed reconciliation between HKT's EBITDA and adjusted funds flow as well as HKT's EBITDA and HKT's profit before income tax, please refer to its 2021 annual results announcement released on February 24, 2022.

OTT Business

For the year ended December 31, HK$ million	2020			**2021**			Better/ (Worse)
	H1	H2	Full Year	**H1**	**H2**	**Full Year**	y-o-y
OTT Business Revenue	502	685	1,187	**646**	**834**	**1,480**	25%
OTT Business EBITDA[1]	(81)	(72)	(153)	**(20)**	**(3)**	**(23)**	85%

The OTT Business recorded another year of healthy growth, with a 25% increase in revenue to HK$1,480 million for the year ended December 31, 2021. This was driven primarily by growth in our video streaming service Viu, which achieved a 37% revenue growth to HK$1,111 million.

Viu's viewer base continued to expand during the year experiencing a 30% growth in MAUs to 58.6 million. While Thailand and Indonesia remained our largest markets, significant growth was experienced in the Philippines which is also becoming a sizeable contributor.

With home entertainment being the norm during the year, Viu has been focused on driving its paid subscriber growth and increasing share in the growing digital advertising market, by leveraging its high quality content offering including Viu Original titles which are developed in partnership with top local production talents across the region. As a result, Viu recorded a significant increase of 58% in the number of paid subscribers, from 5.3 million to 8.4 million by the end of 2021. Viu Original titles released in 2021 such as "Now We Are Breaking Up" and "Lovers of the Red Sky" featuring A-list Korean stars were well received among Viu-ers. High viewer engagement was demonstrated by the more than 90% and 200% increase in the number of video views and video minutes respectively generated from Viu Original titles compared to 2020.

The OTT Business also signed distribution agreements for selected Viu Original titles with more than 20 OTT, pay TV and free TV platforms in various markets around the world to further monetize its content and potential.

With its expanded revenue base, the OTT Business narrowed its EBITDA loss to HK$23 million for the year ended December 31, 2021 as compared to a loss of HK$153 million a year ago and is nearing EBITDA breakeven with its growing scale.

Looking ahead, over 30 new Viu Original productions will be released in 2022 under the newly created group, Viu Original Studio, which has been established to help expand our original content assets and intellectual properties with regional and global appeal. Viu Original titles in local languages will cater to viewers in Thailand, Malaysia, the Philippines and Indonesia, while pan-regional titles in Korean and Chinese will further solidify Viu's position as the leading OTT video streaming service across the region.

Free TV & Related Business

For the year ended December 31, HK$ million	2020 H1	2020 H2	2020 Full Year	**2021 H1**	**2021 H2**	**2021 Full Year**	Better/ (Worse) y-o-y
Free TV & Related Business Revenue	130	187	317	**256**	**544**	**800**	152%
Free TV & Related Business EBITDA[1]	(95)	(70)	(165)	**(44)**	**138**	**94**	n/a

Free TV and Related Business revenue grew by 152% to HK$800 million for the year ended December 31, 2021 with advertising revenue more than doubling to HK$615 million.

A key factor in driving revenue growth was the positive response to our relevant and appealing content which included scripted dramas such as "Ink At Tai Ping" and reality shows led by the "King Maker" series. The quality of our content was further reflected in our successful distribution of over 3,100 hours of production to 29 markets across Asia and the Americas.

Riding on the success of MIRROR as well as other up and coming artistes, our artiste management and event business flourished, with our artistes promoted 13 of the top 50 advertisers in Q3 2021 including leading names such as HSBC, Samsung and McDonald's*. As a result, revenue from artiste management and event business increased almost tenfold compared to the previous year.

With its growing audience and attractive viewer demographics, ViuTV was selected by more than 680 advertisers in 2021 to promote their products and services, of which over half were new to ViuTV. ViuTV's advertisers now span a diverse range of industries from financial to electrical appliances as well as healthcare.

The enlarged and diversified revenue base helped the Free TV & Related Business turn to positive EBITDA of HK$94 million for the year ended December 31, 2021.

To sustain the growth momentum, the Free TV & Related Business will continue developing quality content and find further ways to promote existing artistes and groom new talent, such as the recently debuted girl group COLLAR.

* *Source: Hong Kong Adspend Report Q3 2021, Admango (accessed on 30 Nov 2021)*

Solutions Business

For the year ended December 31, HK$ million	2020 H1[6]	2020 H2[6]	2020 Full Year[6]	**2021 H1[6]**	**2021 H2**	**2021 Full Year**	Better/ (Worse) y-o-y
Solutions Business Revenue	1,595	2,490	4,085	**2,501**	**2,393**	**4,894**	20%
Solutions Business EBITDA[1]	92	410	502	**275**	**381**	**656**	31%
Solutions Business EBITDA[1] margin	*6%*	*16%*	*12%*	***11%***	***16%***	***13%***	

The Solutions Business recorded an impressive 20% increase in revenue to HK$4,894 million for the year ended December 31, 2021. This growth reflected the completion of numerous mission critical projects for customers in Hong Kong as well as in overseas markets. In Hong Kong, the Solutions Business successfully implemented a private cloud solution for a banking and finance sector customer while, on the international front, it provided crucial IT managed services to 22 government agencies in Singapore.

To support further growth and achieve margin expansion, the Solutions Business focused on a number of initiatives during the year. Riding on its market leadership in Hong Kong, the Solutions Business leveraged in-house expertise, particularly in the public sector and telecom verticals, to win contracts from customers in overseas markets as well as to reap scale benefits. To further enhance efficiencies, the Solutions Business increased its offshore delivery resources and local market presence. It also refined its go to market approach prioritizing industry verticals with higher win ratios and large contract values.

As a result, EBITDA increased by 31% to HK$656 million for the year ended December 31, 2021 with the margin expanding to 13%.

Secured orders as of December 31, 2021 was HK$24,540 million with new wins including large scale technical services projects for the Airport Authority of Hong Kong and a IT managed service project for one of the leading government agencies in Singapore. With its large secured order book and strong pipeline, the revenue outlook for the Solutions Business remains favorable as it captures a growing share of the opportunities arising from the digital transformation of enterprises in Hong Kong and the region.

Other Businesses

Other Businesses primarily comprises corporate support functions. The EBITDA cost of the Group's Other Businesses for the year ended December 31, 2021 was HK$538 million versus HK$460 million a year earlier.

Eliminations

Eliminations for the year ended December 31, 2021 were HK$2,481 million versus HK$3,859 million (restated) a year earlier reflecting collaboration among members of the Group on both internal and external projects.

COSTS

Cost of Sales

For the year ended December 31, HK$ million	2020			**2021**			Better/ (Worse)
	H1[6]	H2[6]	Full Year[6]	**H1[6]**	**H2**	**Full Year**	y-o-y
HKT	6,941	8,762	15,703	**7,550**	**9,179**	**16,729**	(7)%
Consolidated	8,399	10,790	19,189	**9,804**	**11,465**	**21,269**	(11)%

HKT's 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.

Cost of sales for the OTT and Free TV & Related Business increased in line with their expanded businesses but with improved gross margins due to scale efficiencies. Cost of sales for the Solutions Business increased by 24%. As a result, cost of sales for the Group increased by 11% to HK$21,269 million.

General and Administrative Expenses

For the year ended December 31, 2021, operating costs before depreciation, amortization and gains/losses on disposal of property, plant and equipment and right-of-use assets, net decreased by 1% to HK$5,076 million due to the Group's continuous focus on operating efficiency through digitalizing business processes and cost control measures that were in place throughout the year.

Depreciation expenses for the year decreased by 2% to HK$3,001 million, mainly due to lower depreciation of right-of-use assets as the Group continued to optimize its retail store portfolio. Amortization expenses during the year increased by 6% to HK$4,625 million, reflecting the increase in amortization at HKT arising from Now TV business transfer and higher mobile spectrum licence fees and the continuous investment in developing proprietary solutions for the Solutions Business and acquisition and production of content for the OTT and Free TV & Related Business. Content-related amortization increased to HK$1,376 million for the period as compared to HK$1,099 million a year ago.

In total, general and administrative expenses increased slightly by 1% year-on-year to HK$12,669 million for the year ended December 31, 2021.

EBITDA[1]

Overall, consolidated EBITDA for the year ended December 31, 2021 increased by 6% to HK$12,309 million with the margin stable at 32%, primarily due to narrowing of the EBITDA loss of the OTT Business and positive EBITDA for the Free TV & Related Business and the increase in EBITDA for the Solutions Business.

Interest Income and Finance Costs

Interest income for the year ended December 31, 2021 was HK$69 million while finance costs decreased by 14% year-on-year to HK$1,401 million as a result of reduced borrowings after the issuance of perpetual capital securities in January 2021 and divestment of Data Centre Business. The average cost of debt also decreased to 2.57% compared to last year. As a result, net finance costs decreased by 15% year-on-year to HK$1,332 million for the year ended December 31, 2021.

Income Tax

Income tax expense for the year ended December 31, 2021 was HK$1,065 million, versus HK$705 million (restated) a year ago. The increase was mainly due to the utilization of tax losses by certain group companies resulting in a reversal of deferred tax assets and increase in operating profit during the year.

Non-controlling Interests for Continuing Operations

Non-controlling interests for continuing operations were HK$2,234 million for the year ended December 31, 2021 (2020 (restated): HK$1,911 million), represented primarily the net profit attributable to the non-controlling shareholders of HKT.

Holders of Perpetual Capital Securities

Profit of HK$226 million for the year ended December 31, 2021 was attributable to the holders of the perpetual capital securities, which represented distributions payable to the holders of the securities as accrued at 4% per annum on the US$750 million principal amount of the perpetual capital securities issued by the Group in January 2021.

Consolidated Profit/Loss Attributable to Equity Holders of the Company

Consolidated profit attributable to equity holders of the Company for the year ended December 31, 2021 was HK$1,039 million (Consolidated loss attributable to equity holders of the Company for the year ended December 31, 2020: HK$1,020 million).

LIQUIDITY AND CAPITAL RESOURCES

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

The Group's gross debt[2] was HK$47,006 million as at December 31, 2021 (December 31, 2020: HK$56,984 million). Cash and short-term deposits totaled HK$5,036 million as at December 31, 2021 (December 31, 2020: HK$4,619 million).

As at December 31, 2021, the Group had a total of HK$42,859 million in banking facilities available for liquidity management and investment, of which HK$20,528 million remained undrawn. Of these banking facilities, HKT accounted for HK$32,209 million, of which HK$9,878 million remained undrawn.

The Group's gross debt[2] to total assets was 50% as at December 31, 2021 (December 31, 2020: 58%).

On January 12, 2021, the Group issued US$750 million perpetual subordinated guaranteed securities through its indirect wholly-owned subsidiary, CAS Capital No. 1 Limited, guaranteed by CAS Holding No. 1 Limited ("CAS"). CAS directly holds approximately 51.94% of the total number of Share Stapled Units in issue. The perpetual securities have strengthened the equity position of the Group and provided additional liquidity for the Group to fund its corporate activities including debt repayment.

CREDIT RATINGS OF CAS AND HONG KONG TELECOMMUNICATIONS (HKT) LIMITED

As at December 31, 2021, CAS had investment grade ratings with Moody's Investors Services ("Moody's") (Baa3) and S&P Global Ratings ("S&P") (BBB-). Hong Kong Telecommunications (HKT) Limited, an indirect non-wholly owned subsidiary of the Company, had investment grade ratings with Moody's (Baa2) and S&P (BBB).

CAPITAL EXPENDITURE[3]

Group capital expenditure for the year ended December 31, 2021 was HK$2,526 million (2020 (restated): HK$2,632 million), of which HKT accounted for about 97% (2020 (restated): 93%).

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 HKT capital expenditure increased slightly by 1% during the year due to the full-year impact of the integration of Now TV business with HKT. Capital expenditure for OTT and Free TV & Related Business was flat but overall capital expenditure for media declined due to transfer of Now TV business to HKT. Capital expenditure for the Solutions Business decreased mainly due to an up-front investment in 2020 that was required to service a long term project.

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

HEDGING

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

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

A significant portion of the Group's financing is denominated in foreign currencies including United States dollars. Accordingly, the Group has entered into forward and swap contracts in order to manage its exposure to adverse fluctuations in foreign currency exchange rates and interest rates. These instruments are executed with creditworthy financial institutions. As at December 31, 2021, the majority of the forward and swap contracts were designated as cash flow hedges and/or fair value hedges for the related financing of the Group.

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

CHARGE ON ASSETS

As at December 31, 2021, no assets (2020: HK$8,311 million) were pledged to secure banking facilities for the Group.

CONTINGENT LIABILITIES

As at December 31, HK$ million	2020	**2021**
Performance guarantees	1,573	**1,570**
Others	337	**160**
	1,910	**1,730**

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

HUMAN RESOURCES

The Group had over 20,600 employees as at December 31, 2021 (2020: 22,900) located in 24 countries and cities. About 62% of these employees work in Hong Kong and the others are based mainly in mainland China, Singapore and the Philippines. The Group has established performance based bonus and incentive schemes designed to motivate and reward employees at all levels to achieve the Group's business performance targets. Payment of performance bonuses is generally based on achievement of revenue, EBITDA and free cash flow targets for the Group as a whole and for each of the individual business units and performance ratings of employees.

FINAL DIVIDEND

The Board has recommended the payment of a final cash dividend of 27.69 HK cents (2020: 23 HK cents) per ordinary share for the year ended December 31, 2021 to shareholders whose names appear on the register of members of the Company on Friday, May 20, 2022, subject to the approval of shareholders of the Company at the forthcoming annual general meeting which will be held on Friday, May 13, 2022 ("AGM"). An interim cash dividend of 9.36 HK cents (2020: 9.18 HK cents) per ordinary share for the six months ended June 30, 2021 was paid to shareholders of the Company in September 2021.

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REPORT OF THE DIRECTORS

The board of directors (the "Board") presents its report together with the audited consolidated financial statements of PCCW Limited ("PCCW" or the "Company") and its subsidiaries (collectively the "Group") for the year ended December 31, 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding, and the principal activities of the 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, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centers; multimedia businesses including the provision of interactive pay-TV services and over-the-top ("OTT") digital media entertainment services in the Hong Kong Special Administrative Region ("Hong Kong"), the Asia Pacific region, and other parts of the world; and investments in, and development of, systems integration, network engineering, and information technology-related businesses. Through HK Television Entertainment Company Limited ("HKTVE"), PCCW also operates a domestic free television service in Hong Kong. The Group also has an interest in the development and management of premium-grade property and infrastructure projects as well as premium-grade property investments through its interest in Pacific Century Premium Developments Limited ("PCPD"). PCPD ceased to be a subsidiary, and became an associate, of the Company on December 29, 2021, from which date the financial results and positions of PCPD and its subsidiaries (the "PCPD Group") are accounted for under the equity method in the Group's consolidated financial statements.

The principal activities of the Company's principal subsidiaries, and the principal associates and joint venture of the Group are set out in notes 23 to 25 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 7 to the consolidated financial statements.

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 3, pages 4 to 7 and pages 40 to 51 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 Board has overall accountability for ensuring that risks are effectively managed across the Group, and on behalf of the Board, the Audit Committee coordinates and reviews 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 Committee to ensure the business risk registers are kept current, factual and consistent across all Group operating units. Both the Board and the Audit Committee 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			
Cybersecurity Threat	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.	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.	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 a 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.
Technology Trend/ Aging Infrastructure	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.	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.	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.

Principal Risks and Uncertainties *(continued)*

Risk	Description	Impact	Key Mitigation Strategies
Regulatory and Legal Risk			
Non-compliance with Laws and Regulations	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, in particular to the PCCW Media business which has continued to accelerate its growth momentum in 2021 on the back of expanded viewership and subscription.
Project Risk			
Project Management	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.
Project Failure in Property Development	Through the activities of undertaking property development interests via PCPD, the Group may be exposed to the effects of adverse changes in foreign government policies and regulations pertaining to land use, ownership and zoning.	The time and the costs involved in completing construction can be adversely affected by many factors, including shortages of materials, equipment and labor, adverse weather conditions, natural disasters, labor disputes with contractors and sub-contractors, accidents, changes in government priorities and unforeseen problems or circumstances. The occurrence of any of these factors could give rise to delays in the completion of a project and result in cost overruns. This may also result in the profit on development for a particular property not being recognized in the year in which it was originally anticipated to be recognized.	As a result, the Group carries out extensive research and market analysis before the development phase is initiated. The Group also employs external parties to conduct review from the perspective of environmental sustainability of our business annually.

BUSINESS REVIEW *(CONTINUED)*

Principal Risks and Uncertainties *(continued)*

Risk	Description	Impact	Key Mitigation Strategies
People Risk			
Retention and Motivation of Employees	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.
Operational Risk			
Business Interruption	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.
Third-Party Vendor	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.

Principal Risks and Uncertainties *(continued)*

Risk	Description	Impact	Key Mitigation Strategies
Market Risk			
Market Competition	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 other operating units 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			
Political Landscape	The multinational footprint of the Group spans in 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.	Changes 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.
Failure of Strategy	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.	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. 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.	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.

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, PCCW recognizes the importance of good environmental stewardship. In this connection, PCCW 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 Group actively participates in various external environmental working groups. PCCW is a council member of Business Environment Council. PCCW is also a corporate member of Food Grace, Green Council and The Green Earth.

In 2021, PCCW received an overall rating of A in the MSCI ESG rating update, ranking in the top 63% of global telecommunication services peers.

PCCW is a constituent member of the Hang Seng Corporate Sustainability Index Series, Hang Seng ESG 50 Index and FTSE4Good Index Series.

To minimize light nuisance, HKT Limited ("HKT") has been supporting the WWF's annual Earth Hour campaign for a number of years. PCCW 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, 1O1O 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, between HKT and CLP Holdings Limited, to encourage electric mobility for a cleaner environment. HKT and its subsidiaries (collectively the "HKT Limited Group") have 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.

Last year, PCCW was also recognized as Friends of EcoPark 2021 by the Environmental Protection Department for our contributions to waste recycling and recovery.

Pacific Century Premium Developments also strives to integrate sustainability into its business operation. Pacific Century Place in Jakarta, Indonesia received Final LEED Platinum Certification in 2018, Greenship New Building V.1.2 Platinum Certification in 2019 and BCA Green Mark Award (Gold) certified by Building and Construction Authority in 2020 in recognition of its sustainable features. The Pacific Century Premium Developments head office in Cyberport, Hong Kong is recognized as a Green Office and Eco-Healthy Workplace by the World Green Organisation.

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

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

BUSINESS REVIEW *(CONTINUED)*

Relationships with Stakeholders

PCCW 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.

PCCW promotes 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.

PCCW 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. PCCW's diverse talent pool comprises employees of over 50 nationalities with various 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.

PCCW 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 operates Hong Kong's leading telecommunications and pay-TV services 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.

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, we have extended service offerings beyond connectivity into a wide range of digital services such as FinTech and HealthTech.

BUSINESS REVIEW *(CONTINUED)*

Relationships with Stakeholders *(continued)*

HKT 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. The Group 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.

PCCW 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, PCCW 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 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. PCCW is one of the founding members of the Sustainable Procurement Charter launched by the Green Council.

PCCW supports the Hong Kong community through a diverse range of initiatives serving the elderly, students and youth, jobless, homeless, as well as people 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, HKT's Club Hope is our long-term online CSR platform, aiming to increase public awareness of communities in need and raise funds for charitable organizations.

Being the premier telecommunications service provider in Hong Kong, the HKT Limited 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.

BUSINESS REVIEW *(CONTINUED)*

Relationships with Stakeholders *(continued)*

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. PCCW was also 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, PCCW operates a Volunteer Appreciation Scheme whereby employees participating in community services may be entitled to volunteer leave days.

PCCW continued to be awarded the 15 Years Plus Caring Company Logo under the Hong Kong Council of Social Service's Caring Company Scheme, in recognition of our having been a caring company for 19 years.

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 PCCW. 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.

The Company, through its economic interest in HKTVE, was granted a free television programme service licence in April 2015 and HKTVE has launched its free television services in April 2016.

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.

BUSINESS REVIEW *(CONTINUED)*

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

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.

GROUP RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated income statement on page 97.

An interim dividend of 9.36 HK cents (2020: 9.18 HK cents) per ordinary share, totaling approximately HK$723 million, was paid to shareholders of the Company in September 2021.

The Board has recommended the payment of a final dividend of 27.69 HK cents (2020: 23 HK cents) per ordinary share for the year ended December 31, 2021, subject to the approval of shareholders of the Company at the forthcoming annual general meeting.

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 235.

FIXED ASSETS

Details of movements in the Group's property, plant and equipment, investment properties and interests in leasehold land during the year are set out in notes 16, 18 and 19 respectively to the consolidated financial statements.

BORROWINGS

Particulars of the Group's and the Company's borrowings are set out in notes 30(f) and 31 to the consolidated financial statements.

SHARES ISSUED

There were no new shares of the Company (the "Shares") 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 34 to the consolidated financial statements.

PERPETUAL SUBORDINATED GUARANTEED SECURITIES ISSUED

During the year, CAS Capital No. 1 Limited, an indirect wholly-owned subsidiary of the Company, issued US$750 million perpetual subordinated guaranteed securities at 100% of the principal amount with net proceeds of approximately US$745 million (approximately HK$5,776 million) for the Group's general corporate purposes, including repayment of existing indebtedness. These perpetual subordinated guaranteed securities are guaranteed by CAS Holding No. 1 Limited, a direct wholly-owned subsidiary of the Company, and are classified as equity as set out in note 35 to the consolidated financial statements.

GUARANTEED NOTES ISSUED

During the year, PCPD Capital Limited ("PCPD Capital"), a wholly-owned subsidiary of PCPD, issued US$800 million 5.125% guaranteed notes due 2026 (the "2026 Bonds") at 100% of the principal amount with net proceeds of approximately US$793.3 million (approximately HK$6,158.7 million) for redeeming the US$700 million 4.75% guaranteed notes due 2022 issued by PCPD Capital and for PCPD's general corporate purposes.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in note 38 to the consolidated financial statements.

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

As at the date of this report, the directors of the Company are:

Executive Directors
Li Tzar Kai, Richard *(Chairman)*
Srinivas Bangalore Gangaiah (aka BG Srinivas) *(Group Managing Director)*
Hui Hon Hing, Susanna *(Group Chief Financial Officer)*

Non-Executive Directors
Tse Sze Wing, Edmund, GBS
Mai Yanzhou *(Deputy Chairman)*
Meng Shusen
Wang Fang
Wei Zhe, David

Independent Non-Executive Directors
Aman Mehta
Frances Waikwun Wong
Bryce Wayne Lee
Lars Eric Nils Rodert
David Christopher Chance
David Lawrence Herzog

DIRECTORS *(CONTINUED)*

During the year ended December 31, 2021 and up to the date of this report, the following changes were made to the composition of the Board:

1. Li Fushen resigned as a non-executive director of the Company and the Deputy Chairman of the Board with effect from December 17, 2021;

2. Zhu Kebing resigned as a non-executive director of the Company with effect from December 17, 2021;

3. Mai Yanzhou was appointed as the Deputy Chairman of the Board with effect from December 29, 2021;

4. Meng Shusen was appointed as a non-executive director of the Company with effect from December 29, 2021;

5. Wang Fang was appointed as a non-executive director of the Company with effect from December 29, 2021; and

6. Lee Chi Hong, Robert resigned as an executive director of the Company with effect from December 29, 2021.

In accordance with Article 91 of the Company's articles of association, Meng Shusen and Wang Fang shall retire from office at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 101 of the Company's articles of association, Li Tzar Kai, Richard, Wei Zhe, David and Lars Eric Nils Rodert shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Subsequent to the date of this report, Srinivas Bangalore Gangaiah retired as Group Managing Director and Executive Director of the Company with effect from February 28, 2022, and Hui Hon Hing, Susanna was appointed as Acting Group Managing Director with effect from March 1, 2022.

A list of names of the directors who held office in the Company's subsidiaries during the year and up to the date of this report is available on the Company's website (www.pccw.com).

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and considers that all six independent non-executive directors as at the date of this report, namely, Aman Mehta, Frances Waikwun Wong, Bryce Wayne Lee, Lars Eric Nils Rodert, David Christopher Chance and David Lawrence Herzog 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 the Company) 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 of the Company) 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 or PCCW.

Notwithstanding Aman Mehta's investment in KSH Distriparks, the Company is 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 annual general meeting has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

As at December 31, 2021, the directors and chief executives of the Company and their respective close associates had the following interests or short positions in the shares, share stapled units jointly issued by HKT Trust and HKT (the "Share Stapled Units"), underlying shares, underlying Share Stapled Units and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company 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 the Company

The table below sets out the aggregate long positions in the Shares held by the directors and chief executives of the Company:

Name of Director/Chief Executive	Number of ordinary Shares held					Approximate percentage of the total number of Shares in issue
	Personal interests	Family interests	Corporate interests	Other interests	Total	
Li Tzar Kai, Richard	–	–	462,287,134 *(Note 1(a))*	1,928,842,224 *(Note 1(b))*	2,391,129,358	30.93%
Srinivas Bangalore Gangaiah	3,614,861	–	–	701,124 *(Note 2)*	4,315,985	0.06%
Hui Hon Hing, Susanna	8,495,690	–	–	2,054,006 *(Note 2)*	10,549,696	0.14%
Tse Sze Wing, Edmund	–	367,479 *(Note 3)*	–	–	367,479	0.005%

Notes:

1. (a) Of these Shares, Pacific Century Diversified Limited ("PCD"), a wholly-owned subsidiary of Chiltonlink Limited ("Chiltonlink"), held 269,471,956 Shares, Eisner Investments Limited ("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 Chiltonlink, Eisner and Excel Global.

   (b) These interests represented:

   (i) a deemed interest in 175,312,270 Shares 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 175,312,270 Shares held by PCGH; and

   (ii) a deemed interest in 1,753,529,954 Shares 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 1,753,529,954 Shares 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 these directors, which were subject to certain vesting conditions pursuant to an award scheme of the Company, namely the Purchase Scheme, the details of which are set out in the section below headed "**Share Option Schemes and Share Award Schemes of the Company and its Subsidiaries**".

3. These Shares were held by the spouse of Tse Sze Wing, Edmund.

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

2. Interests in the Associated Corporations of the Company

A. HKT Trust and HKT Limited

The table below sets out the aggregate long positions in the Share Stapled Units held by the directors and chief executives of the Company:

	Number of Share Stapled Units held					
Name of Director/Chief Executive	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of Share Stapled Units in issue
Li Tzar Kai, Richard	–	–	66,247,614 *(Note 1(a))*	158,764,423 *(Note 1(b))*	225,012,037	2.97%
Srinivas Bangalore Gangaiah	50,000	–	–	–	50,000	0.0007%
Hui Hon Hing, Susanna	4,344,539	–	–	812,389 *(Note 2)*	5,156,928	0.07%
Tse Sze Wing, Edmund	–	246,028 *(Note 3)*	–	–	246,028	0.003%

Each Share Stapled Unit confers an interest in:

(a) one voting ordinary share of HK$0.0005 in HKT; and
(b) one voting preference share of HK$0.0005 in HKT,

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 dated November 7, 2011 constituting the HKT Trust entered into between HKT Management Limited (the "Trustee-Manager", in its capacity as the trustee-manager of the HKT Trust) and HKT as supplemented, amended or substituted from time to time and the amended and restated articles of association of HKT, the number of ordinary shares and preference shares of HKT 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:

1. (a) Of these Share Stapled Units, PCD held 20,227,614 Share Stapled Units and Eisner held 46,020,000 Share Stapled Units.

   (b) These interests represented:

      (i) a deemed interest in 13,159,619 Share Stapled Units held by PCGH. 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. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 145,604,804 Share Stapled Units held by PCRD.

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 HKT, namely the Purchase Scheme and the HKT Share Stapled Units Purchase Scheme, the details of which are set out in the section below headed "**Share Option Schemes and Share Award Schemes of the Company and its Subsidiaries**".

3. These Share Stapled Units were held by the spouse of Tse Sze Wing, Edmund.

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

2. Interests in the Associated Corporations of the Company *(continued)*

B. Pacific Century Premium Developments Limited

The table below sets out the aggregate long positions in the shares of PCPD (the "PCPD Shares") held by the directors and chief executives of the Company:

Name of Director/Chief Executive	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the total number of PCPD Shares in issue
	Number of ordinary PCPD Shares held					
Li Tzar Kai, Richard	–	–	207,267,814 *(Note 1(a)*	402,164,972 *(Note 1(b))*	609,432,786	29.90%
Srinivas Bangalore Gangaiah	239,627	–	–	–	239,627	0.01%
Tse Sze Wing, Edmund	–	59,531 *(Note 2)*	–	–	59,531	0.003%

Notes:

1. (a) Of these PCPD Shares, PCD held 181,520,587 shares and Eisner held 25,747,227 shares.

   (b) These interests represented:

   (i) a deemed interest in 118,093,122 PCPD Shares held by PCGH. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 118,093,122 PCPD Shares held by PCGH; and

   (ii) a deemed interest in 284,071,850 PCPD Shares held by PCRD. Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 284,071,850 PCPD Shares held by PCRD.

2. These PCPD Shares were held by the spouse of Tse Sze Wing, Edmund.

C. PCPD Capital Limited

Frances Waikwun Wong, in the capacity as founder of a discretionary trust, held the 4.75% bonds due 2022 issued by PCPD Capital, an associated corporation of the Company, in the principal amount of US$500,000.

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

SHARE OPTION SCHEMES AND SHARE AWARD SCHEMES OF THE COMPANY AND ITS SUBSIDIARIES

1. The Company

A. Share Option Scheme

The Company operates a share option scheme which was adopted by the shareholders of the Company at the annual general meeting of the Company held on May 8, 2014 (the "2014 Scheme"). Under the 2014 Scheme, the Board shall be entitled to offer to grant a share option to any eligible participant whom the Board may, at its absolute discretion, select. The major terms of the 2014 Scheme are set out below:

(1) The purpose of the 2014 Scheme is to provide eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage eligible participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its shareholders as a whole.

(2) Eligible participants include any director, executive director, non-executive director, independent non-executive director, officer and/or employee of the Group or any member of it, whether in full time or part time employment of the Group or any member of it, and any consultant, adviser, supplier, customer, or sub-contractor of the Group or any member of it and any other person whomsoever is determined by the Board as having contributed to the development, growth or benefit of the Group or any member of it or as having spent any material time in or about the promotion of the Group or its business; and provided always, that an eligible participant can be an individual or any other person permitted under the 2014 Scheme.

(3) The maximum number of Shares in respect of which options may be granted under the 2014 Scheme shall not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the 2014 Scheme. Subject to the Listing Rules requirements, the 10% limit may be renewed with prior shareholders' approval. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2014 Scheme and other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. As at the date of this annual report, the total number of Shares available for issue in respect of which options may be granted under the 2014 Scheme is 728,229,465, representing approximately 9.42% of the Shares in issue as at that date.

(4) The total number of Shares issued and to be issued upon exercise of options granted and to be granted to any single eligible participant (other than a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates) under the 2014 Scheme in any 12-month period shall not exceed 1% of the Shares in issue at the relevant time. For options granted or to be granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, the said limit is reduced to 0.1% of the Shares in issue and HK$5 million in aggregate value based on the closing price of the Shares on the date of each grant. Any further grant of share options in excess of such limits is subject to shareholders' approval in general meeting.

(5) The 2014 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 2014 Scheme shall be determined by the Board, provided that such terms and conditions shall not be inconsistent with the 2014 Scheme and no option may be exercised 10 years after the date of grant.

(6) The 2014 Scheme does not specify any consideration which is payable on the acceptance of an option. An option shall be deemed to have been granted and accepted by the grantee and to have taken effect upon the date of grant of such option unless the grantee rejects the grant in writing within 14 days after the date of grant.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEMES OF THE COMPANY AND ITS SUBSIDIARIES *(CONTINUED)*

1. The Company *(continued)*

A. Share Option Scheme *(continued)*

(7) The exercise price in relation to each option shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant; and (ii) the average closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange for the 5 days last preceding the date of grant on which days it has been possible to trade Shares on the Stock Exchange.

(8) Subject to the early termination by an ordinary resolution in general meeting of shareholders or resolutions of the Board, the 2014 Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption on May 8, 2014 and expiring on the tenth anniversary thereof, after which period no further options shall be granted but the provisions of the 2014 Scheme shall remain in full force and effect in all other respects.

No share options have been granted under the 2014 Scheme since its adoption and up to and including December 31, 2021.

B. Share Award Schemes

The Company adopted two share incentive award schemes, namely the Purchase Scheme and the Subscription Scheme (collectively the “PCCW Share Award Schemes”) with the purposes and objectives to recognize the contributions by eligible participants and to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Participants of the PCCW Share Award Schemes include any director or employee of the Company and its participating companies.

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

Pursuant to the scheme rules, no sum of money shall be set aside and no Shares/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 Shares/Share Stapled Units administered under the schemes and any other scheme of a similar nature adopted by the Company and/or any of its subsidiaries would represent in excess of 1% of the Shares in issue and/or 1% of the Share Stapled Units in issue (as the case may be) from time to time, (excluding Shares/Share Stapled Units which have been transferred to selected participants on vesting) and provided further that the Approving Body may resolve to increase such limit at its sole discretion.

In respect of the Purchase Scheme, the Approving Body shall either (i) set aside a sum of money; or (ii) determine a number of Shares/Share Stapled Units which it wishes to be the subject of a bonus award or set aside certain Shares/Share Stapled Units. Where a sum of money has been set aside (or a number of Shares/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 Shares/Share Stapled Units from the relevant company’s resources and the Trustee will then apply the same towards the purchase of the relevant Shares/Share Stapled Units on the Stock Exchange pursuant to the trust deed.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEMES OF THE COMPANY AND ITS SUBSIDIARIES *(CONTINUED)*

1. The Company *(continued)*

B. Share Award Schemes *(continued)*

In respect of the Subscription Scheme, the Approving Body shall either (i) determine a notional cash amount; or (ii) determine a number of Shares/Share Stapled Units which it wishes to be the subject of a bonus award or set aside certain Shares/Share Stapled Units. Where a notional cash amount has been determined by the Approving Body, the Approving Body shall determine the maximum number of Shares/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 Shares/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 Shares/Share Stapled Units (where the Approving Body has determined such number) which amount shall be as directed by the Company and/or HKT but is expected only to be a nominal amount per Share/Share Stapled Unit, or such other amount as may be required to effect the allotment pursuant to the relevant general mandate of the issuer) from the relevant company's resources and the Trustee shall then apply the same towards the subscription of Shares/Share Stapled Units. No Shares/Share Stapled Units shall be allotted unless and until the Company and/or HKT (as the case may be) shall have received from the Stock Exchange a grant of the listing of, and permission to deal in, such Shares/Share Stapled Units and unless and until such allotment shall have been approved by the Board and/or the board of directors of HKT (the "HKT Board") (as the case may be) or any committee of the Board and/or the HKT Board (as the case may be), and the shareholders of the Company and/or the holders of the Share Stapled Units (where required).

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 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 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 Company or the relevant participating company, 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 Shares/Share Stapled Units awarded to him/her under the schemes.

The PCCW Share Award Schemes expired on November 15, 2012, and new scheme rules were adopted on the same date so as to allow both schemes to continue to operate for a further 10 years and to accommodate the grant of the Share Stapled Units in addition or as an alternative to the Shares, in the future. The Approving Body may by resolution terminate the operation of the schemes at any time subject to the terms of the schemes.

In respect of the Purchase Scheme, during the year ended December 31, 2021, an aggregate of 2,484,476 Shares and 854,663 Share Stapled Units were awarded pursuant to the Purchase Scheme subject to certain vesting conditions, including awards in respect of 1,277,451 Shares and 194,177 Share Stapled Units made to Hui Hon Hing, Susanna (a director of the Company). Additionally, 458,568 Shares have lapsed and/or been forfeited and 4,278,886 Shares have vested; and 257,333 Share Stapled Units have lapsed and/or been forfeited and 832,742 Share Stapled Units have vested during the year. As at December 31, 2021, 4,298,441 Shares and 1,184,939 Share Stapled Units awarded pursuant to the Purchase Scheme remained unvested.

In respect of the Subscription Scheme, during the year ended December 31, 2021, an aggregate of 4,047,937 Shares were awarded pursuant to the Subscription Scheme subject to certain vesting conditions. Additionally, 773,656 Shares have lapsed and/or been forfeited and 3,694,531 Shares have vested during the year. As at December 31, 2021, 5,760,759 Shares awarded pursuant to the Subscription Scheme remained unvested. During the year ended December 31, 2021, no Share Stapled Units have been awarded to any employees of the Company and/or its subsidiaries under the Subscription Scheme. As at January 1, 2021 and December 31, 2021, no Share Stapled Units awarded pursuant to the Subscription Scheme remained unvested.

As at the date of this annual report, an aggregate of 10,059,200 Shares and 1,184,939 Share Stapled Units awarded pursuant to the PCCW Share Award Schemes remained unvested, which respectively represent approximately 0.13% of the total number of Shares in issue and 0.02% of the total number of Share Stapled Units in issue as at that date.

Further details of the PCCW Share Award Schemes, including the fair values of the Shares and the Share Stapled Units on the respective dates of award, are set out in note 37 to the consolidated financial statements.

2. HKT Trust and HKT Limited

A. Share Stapled Units Option Schemes

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

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

(1) The purpose of the HKT 2021-2031 Option Scheme is to enable the HKT Trust and HKT, 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 HKT Trust and HKT and its subsidiaries (collectively the "HKT Group") and to provide the HKT 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 HKT and/or any of its subsidiaries; (b) any director (including executive, non-executive or independent non-executive) of HKT 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 HKT and/or any of its subsidiaries. The Trustee-Manager is not an eligible participant under the HKT 2021-2031 Option Scheme.

(3) (i) Notwithstanding any other provisions of the HKT 2021-2031 Option Scheme, no options may be granted under the HKT 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 HKT 2021-2031 Option Scheme and any other share option schemes of the HKT Trust and HKT must not exceed 30% of the issued Share Stapled Units from time to time. No options may be granted under the HKT 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 HKT 2021-2031 Option Scheme and any other share option schemes of the HKT Trust and HKT 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 HKT 2021-2031 Option Scheme is 757,574,233, representing approximately 10% of the Share Stapled Units in issue as at that date.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEMES OF THE COMPANY AND ITS SUBSIDIARIES *(CONTINUED)*

2. HKT Trust and HKT Limited *(continued)*

A. Share Stapled Units Option Schemes *(continued)*

(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 HKT, or any of their respective associates) under the HKT 2021-2031 Option Scheme (including exercised, cancelled and outstanding options under the HKT 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 HKT, 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 HKT 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 HKT 2021-2031 Option Scheme shall be determined by the Trustee-Manager Board and the HKT Board, provided that such terms and conditions shall not be inconsistent with the HKT 2021-2031 Option Scheme and no option may be exercised 10 years after the date of grant.

(6) The HKT 2021-2031 Option Scheme does not specify any consideration which is payable on the 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 HKT 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 HKT Board, the HKT 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 HKT 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 HKT 2011-2021 Option Scheme and the HKT 2021-2031 Option Scheme since their adoption and up to and including its date of termination (in respect of the HKT 2011-2021 Option Scheme) and December 31, 2021 (in respect of the HKT 2021-2031 Option Scheme).

SHARE OPTION SCHEMES AND SHARE AWARD SCHEMES OF THE COMPANY AND ITS SUBSIDIARIES *(CONTINUED)*

2. HKT Trust and HKT Limited *(continued)*

B. Share Stapled Units Award Schemes

On October 11, 2011, HKT 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 "HKT Share Stapled Units Award Schemes"). The purposes of the HKT 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 HKT Share Stapled Units Award Schemes include any director or employee of HKT or any of its subsidiaries.

The HKT Share Stapled Units Award Schemes are administered by the HKT Board, any committee or sub-committee of the HKT Board and/or any person delegated with the power and authority to administer all or any aspects of the respective HKT Share Stapled Units Award Schemes (the "HKT 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, the Company'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 HKT's Share Stapled Units option scheme(s), and all other rights or entitlements granted by HKT 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) HKT 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 HKT 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 HKT 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.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEMES OF THE COMPANY AND ITS SUBSIDIARIES *(CONTINUED)*

2. HKT Trust and HKT Limited *(continued)*

B. Share Stapled Units Award Schemes *(continued)*

In respect of the HKT Share Stapled Units Subscription Scheme, the HKT 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 HKT Approving Body, the HKT 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 HKT 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 HKT Approving Body has determined a notional cash amount); or (ii) the number of Share Stapled Units (where the HKT Approving Body has determined such number) which amount shall be as directed by HKT 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 HKT 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 HKT 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 HKT Approving Body and the holders of the Share Stapled Units (where required).

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 HKT 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 HKT 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 HKT 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 HKT Share Stapled Units Award Schemes expired on October 10, 2021. In order to enable HKT to continue granting awards of Share Stapled Units under the HKT Share Stapled Units Award Schemes, on August 5, 2021, the HKT Board approved the extension of the duration of each of the HKT Share Stapled Units Award Schemes for a period of 10 years from October 11, 2021. As a result of such extension, each of the HKT 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 HKT 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). 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 HKT 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 HKT 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 37 to the consolidated financial statements.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEMES OF THE COMPANY AND ITS SUBSIDIARIES *(CONTINUED)*

3. Pacific Century Premium Developments Limited

Share Option Scheme

PCPD operates a share option scheme which was adopted by its shareholders at PCPD's annual general meeting held on May 6, 2015, and became effective on May 7, 2015 following its approval by the shareholders of the Company (the "2015 PCPD Scheme"). Under the 2015 PCPD Scheme, the board of directors of PCPD (the "PCPD Board") shall be entitled to offer to grant a share option to any eligible participant whom the PCPD Board may, at its absolute discretion, select. The major terms of the 2015 PCPD Scheme are set out below:

(1) The purpose of the 2015 PCPD Scheme is to provide eligible participants with the opportunity to acquire proprietary interests in PCPD and to encourage eligible participants to work towards enhancing the value of PCPD and the PCPD Shares for the benefit of PCPD and its shareholders as a whole.

(2) Eligible participants include any director, executive director, non-executive director, independent non-executive director, officer and/or employee of the PCPD Group or any member of it, whether in full time or part time employment of the PCPD Group or any member of it, and any consultant, adviser, supplier, customer, or sub-contractor of the PCPD Group or any member of it and any other person whomsoever is determined by the PCPD Board as having contributed to the development, growth or benefit of the PCPD Group or any member of it or as having spent any material time in or about the promotion of the PCPD Group or its business; and provided always, that an eligible participant can be an individual or any other person permitted under the 2015 PCPD Scheme.

(3) The maximum number of PCPD Shares in respect of which options may be granted under the 2015 PCPD Scheme shall not in aggregate exceed 10% of the PCPD Shares in issue as at the date of adoption of the 2015 PCPD Scheme. Subject to the Listing Rules requirements, the 10% limit may be renewed with prior shareholders' approval. The overall limit on the number of PCPD Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2015 PCPD Scheme and other share option schemes of PCPD must not exceed 30% of the PCPD Shares in issue from time to time. As at the date of this annual report, the total number of PCPD Shares available for issue in respect of which options may be granted under the 2015 PCPD Scheme is 40,266,831, representing approximately 1.98% of the PCPD Shares in issue as at that date.

(4) The total number of PCPD Shares issued and to be issued upon exercise of options granted and to be granted to any single eligible participant (other than a substantial shareholder or an independent non-executive director of PCPD, or any of their respective associates) under the 2015 PCPD Scheme in any 12-month period shall not exceed 1% of the PCPD Shares in issue at the relevant time. For options granted or to be granted to a substantial shareholder or an independent non-executive director of PCPD, or any of their respective associates, the said limit is reduced to 0.1% of the PCPD Shares in issue and HK$5 million in aggregate value based on the closing price of the PCPD Shares on the date of each grant. Any further grant of share options in excess of such limits is subject to shareholders' approval in general meeting.

(5) The 2015 PCPD 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 2015 PCPD Scheme shall be determined by the PCPD Board, provided that such terms and conditions shall not be inconsistent with the 2015 PCPD Scheme and no option may be exercised 10 years after the date of grant.

SHARE OPTION SCHEMES AND SHARE AWARD SCHEMES OF THE COMPANY AND ITS SUBSIDIARIES *(CONTINUED)*

3. Pacific Century Premium Developments Limited *(continued)*

Share Option Scheme *(continued)*

(6) The 2015 PCPD Scheme does not specify any consideration which is payable on the acceptance of an option. An option shall be deemed to have been granted and accepted by the grantee and to have taken effect upon the date of grant of such option unless the grantee rejects the grant in writing within 14 days after the date of grant.

(7) The exercise price in relation to each option shall not be less than the higher of (i) the closing price of the PCPD Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant; and (ii) the average closing price of the PCPD Shares as stated in the daily quotation sheet of the Stock Exchange for the 5 days last preceding the date of grant on which days it has been possible to trade PCPD Shares on the Stock Exchange.

(8) Subject to the early termination by an ordinary resolution in general meeting of shareholders or resolutions of the PCPD Board, the 2015 PCPD Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption on May 6, 2015 and expiring on the tenth anniversary thereof, after which period no further options shall be granted but the provisions of the 2015 PCPD Scheme shall remain in full force and effect in all other respects.

No share options have been granted under the 2015 PCPD Scheme since its adoption and up to and including December 31, 2021.

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

EQUITY-LINKED AGREEMENTS

The Group has the share option schemes and the share award schemes with details set out in the section above headed "**Share Option Schemes and Share Award Schemes of the Company and its Subsidiaries**" and note 37 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at December 31, 2021, the following persons (other than directors or chief executives of the Company) were substantial shareholders of the Company and had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name of shareholder	*Note(s)*	Number of Shares/underlying Shares held	Approximate percentage of the total number of Shares in issue
Long Positions			
PCRD		1,753,529,954	22.69%
PCGH	*1*	1,928,842,224	24.95%
Star Ocean Ultimate Limited	*2 and 3*	1,928,842,224	24.95%
The Ocean Trust	*2*	1,928,842,224	24.95%
The Starlite Trust	*2*	1,928,842,224	24.95%
OS Holdings Limited	*2*	1,928,842,224	24.95%
Ocean Star Management Limited	*2*	1,928,842,224	24.95%
The Ocean Unit Trust	*2*	1,928,842,224	24.95%
The Starlite Unit Trust	*2*	1,928,842,224	24.95%
Star Ocean Ultimate Holdings Limited	*3*	1,928,842,224	24.95%
Fung Jenny Wai Ling	*4*	1,928,842,224	24.95%
Huang Lester Garson	*4*	1,928,842,224	24.95%
China United Network Communications Group Company Limited ("Unicom")	*5*	1,424,935,885	18.43%

Notes:

1. These interests represented (i) PCGH's beneficial interests in 175,312,270 Shares; and (ii) PCGH's interests (through itself and its controlled corporations, being its wholly-owned subsidiaries, Borsington Limited, Pacific Century International Limited, Pacific Century Group (Cayman Islands) Limited and Anglang Investments Limited, which together controlled 88.63% of the issued share capital of PCRD) in 1,753,529,954 Shares held by PCRD.

2. On April 18, 2004, Li Tzar Kai, Richard transferred the entire issued share capital of PCGH to Ocean Star Management Limited as trustee of The Ocean Unit Trust and The Starlite Unit Trust. The entire issued share capital of Ocean Star Management Limited was held by OS Holdings Limited. The Ocean Trust and The Starlite Trust held all units of The Ocean Unit Trust and The Starlite Unit Trust respectively. Star Ocean Ultimate Limited was the discretionary trustee of The Ocean Trust and The Starlite Trust.

3. On November 4, 2013, Star Ocean Ultimate Limited became a controlled corporation of Star Ocean Ultimate Holdings Limited.

4. Fung Jenny Wai Ling and Huang Lester Garson were deemed to be interested in such Shares under the SFO as each of them controlled the exercise of one-third or more of the voting power at general meetings of each of Ocean Star Investment Management Limited, OS Holdings Limited and Star Ocean Ultimate Holdings Limited.

5. Unicom indirectly held these interests through China Unicom Group Corporation (BVI) Limited, a company wholly-owned by Unicom.

INTERESTS AND SHORT POSITIONS OF OTHER PERSONS REQUIRED TO BE DISCLOSED UNDER THE SFO

As at December 31, 2021, the following person (other than directors or chief executives or substantial shareholders (as disclosed in the previous section headed "**Interests and Short Positions of Substantial Shareholders**") of the Company) had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO:

Name	Number of Shares/underlying Shares held	Approximate percentage of the total number of Shares in issue
Long Positions		
Ocean Star Investment Management Limited *(Note)*	1,928,842,224	24.95%

Note:
Ocean Star Investment Management Limited was deemed interested under the SFO in the Shares by virtue of it being the investment manager of The Ocean Unit Trust and The Starlite Unit Trust which together held 100% of PCGH (see the notes to the previous section headed "**Interests and Short Positions of Substantial Shareholders**").

Save as disclosed above in this section and the previous section headed "**Interests and Short Positions of Substantial Shareholders**", the Company has not been notified of any other persons (other than directors or chief executives of the Company) who had an interest or a short position in the Shares, underlying Shares or debentures of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO as at December 31, 2021.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Details of the connected transactions and continuing connected transactions; and significant related party transactions are disclosed in this report and in note 6 to the consolidated financial statements.

Save for the above, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any its subsidiaries was a party and in which a director of the Company 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

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of any business of the Company 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 of the Company in competing business required to be disclosed pursuant to Rule 8.10 of the Listing Rules were as follows:

Name of Director	Name of company	Nature of business	Nature of interests
Li Tzar Kai, Richard	CK Hutchison Holdings Limited ("CK Hutchison") and its subsidiaries	Ports and related services, retail, infrastructure and telecommunications	*(Note)*
	CK Asset Holdings Limited ("CK Asset") and its subsidiaries	Property development and investment, hotel and serviced suite operation, property and project management, aircraft leasing, pub operation and investment in infrastructure and utility asset operation	*(Note)*
Mai Yanzhou	Unicom and its subsidiaries	Telecommunications business and other related businesses	Vice President of Unicom
	China United Network Communications Limited ("Unicom A-Share") and its subsidiaries	Telecommunications business and other related businesses	Senior Vice President of Unicom A-Share
	China Unicom (Hong Kong) Limited ("Unicom HK") and its subsidiaries	Telecommunications business and other related businesses	Senior Vice President of Unicom HK
	China Communications Services Corporation Limited ("CCSCL")	Telecommunications business and other related businesses	Non-Executive Director of CCSCL
Meng Shusen (appointed with effect from December 29, 2021)	China Unicom Global Limited ("CUG", a subsidiary of Unicom HK)	Telecommunications business and other related businesses	Chairwoman and President of CUG
	China Unicom (Hong Kong) Operations Limited ("CUHK", a subsidiary of Unicom HK)	Telecommunications business and other related businesses	Director and President of CUHK
Wang Fang (appointed with effect from December 29, 2021)	Unicom	Telecommunications business and other related businesses	General Manager of the Finance Department and General Manager of the Data Operations and Financial Shared Service Center of Unicom

DIRECTORS' INTERESTS IN COMPETING BUSINESS *(CONTINUED)*

Name of Director	Name of company	Nature of business	Nature of interests
Li Fushen (resigned with effect from December 17, 2021)	Unicom and its subsidiaries	Telecommunications business and other related businesses	Director of Unicom *(resigned with effect from June 2021)*
	Unicom A-Share and its subsidiaries	Telecommunications business and other related businesses	Director of Unicom A-Share *(resigned with effect from June 2021)*
	Unicom HK and its subsidiaries	Telecommunications business and other related businesses	Executive Director of Unicom HK *(resigned with effect from June 2021)*
Zhu Kebing (resigned with effect from December 17, 2021)	Unicom and its subsidiaries	Telecommunications business and other related businesses	Chief Accountant of Unicom *(resigned with effect from June 2021)*
	Unicom A-Share and its subsidiaries	Telecommunications business and other related businesses	Chief Financial Officer and Board Secretary of Unicom A-Share *(resigned with effect from June 2021)*
	Unicom HK and its subsidiaries	Telecommunications business and other related businesses	Executive Director and Chief Financial Officer of Unicom HK *(resigned with effect from June 2021)*

Note:
Li Tzar Kai, Richard has a personal interest in 75,240 shares in each of CK Hutchison and CK Asset, 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 and CK Asset. Certain businesses of CK Hutchison and CK Asset may compete with certain aspects of the businesses of the Group during the year.

In addition, Li Tzar Kai, Richard is a director of certain private companies (the "Private Companies"), which are engaged in property development and investment.

Further, Li Tzar Kai, Richard is a director and Chairman of PCRD. PCRD is an investment holding company with interests in telecommunications and media (through the Company), logistics, property and infrastructure investment and development in the Asia Pacific region.

The business interests of the Private Companies in Hong Kong are not significant when compared with the business of the Group and it is unlikely that such business interests will compete with the business of the Group. The business interests in Japan and the Asia Pacific region are also unlikely to compete with the existing business of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESS *(CONTINUED)*

Li Tzar Kai, Richard has a controlling interest in some of the Private Companies. Further, he is or may be regarded as interested in PCRD and PCGH due to the interests as disclosed in the section headed "**Directors' and Chief Executives' Interests and Short Positions in the Shares, Share Stapled Units, Underlying Shares, Underlying Share Stapled Units and Debentures of the Company and its Associated Corporations**" of this report.

As PCRD and the Private Companies are involved in the development and/or investment of properties of different types and/or in different locations, the Group has been operating independently of, and at arm's length from, the businesses of those companies.

Furthermore, the Group holds minority equity interests in a number of Internet-related companies in which the Group is entitled to appoint, and has appointed, one or more directors to the respective boards of these companies to represent the interests of the Group. Some or all of these companies may compete directly or indirectly, with certain aspects of the Group's businesses.

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

PERMITTED INDEMNITY

According to the articles of association of the Company and subject to the provisions of the Hong Kong Companies Ordinance, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities to the fullest extent permitted by the Hong Kong Companies Ordinance which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. In addition, the Company has maintained appropriate directors and officers liability insurance cover for the directors and officers of the Company and its subsidiaries.

DONATIONS

During the year, the Group made donations for charitable and other purposes of approximately HK$469,000 (2020: HK$6.0 million).

SUBSEQUENT EVENT

Details of the significant subsequent event are set out in note 50 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended December 31, 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

1. Connected Transactions

A. Deemed Disposal of Interest in Pacific Century Premium Developments Limited

On December 31, 2020, PCPD announced a proposed rights issue (the "PCPD Rights Issue") which involved the issue to qualifying PCPD shareholders of new PCPD Shares (the "PCPD Rights Shares") at the subscription price of HK$0.82 per PCPD Rights Share on the basis of one (1) PCPD Rights Share for every two (2) existing PCPD Shares then held.

On March 17, 2021, PCCW announced the deemed disposal of interest in PCPD (the "Deemed Disposal") as a result of non-participation in the PCPD Rights Issue by Asian Motion Limited ("Asian Motion"), a wholly-owned subsidiary of the Company which directly held approximately 40.03% interest in PCPD ("March 17 Announcement"). On March 23, 2021, PCPD announced the reduction of Asian Motion's shareholding in PCPD to approximately 31.17% immediately after completion of the PCPD Rights Issue. Completion took place on March 24, 2021. Li Tzar Kai, Richard is a director of the Company and PCPD, who has interests in shares of the Company and PCPD as disclosed under Part XV of the SFO. For the reasons explained in the March 17 Announcement, PCPD was regarded as a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules and thereby a connected person of the Company. The Deemed Disposal therefore constituted a connected transaction for the Company under Chapter 14A of the Listing Rules, details of which were disclosed in the March 17 Announcement.

B. Subscription of New Notes issued by PCPD Capital Limited

On June 8, 2021, the Company (through Asian Motion) agreed to subscribe for the 2026 Bonds to be issued by PCPD Capital and guaranteed by PCPD in the principal amount of US$100 million (equivalent to approximately HK$780 million) (the "Subscription"). For the reasons explained in the announcement of the Company dated June 9, 2021, PCPD was regarded as a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules and thereby a connected person of the Company. The Subscription therefore constituted a connected transaction for the Company under Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated June 9, 2021.

C. Treasury Investment in Fixed Income Notes

On August 23, 2021, the Company (through its wholly-owned subsidiary) invested in the 4.50% guaranteed notes due 2026 issued by PCGI Intermediate Holdings (III) Limited and guaranteed by PCGI Holdings Limited pursuant to a note offering (the "PCGI Investment") in the principal amount of US$85 million (equivalent to approximately HK$663 million). Each of the issuer and the guarantor in respect of the notes is an associate (as defined in Chapter 14A of the Listing Rules) of Li Tzar Kai, Richard, and accordingly each is a connected person of the Company under Chapter 14A of the Listing Rules. The PCGI Investment therefore constituted a connected transaction for the Company under Chapter 14A of the Listing Rules, details of which were disclosed in the announcement of the Company dated August 24, 2021.

2. Continuing Connected Transactions

During the year ended December 31, 2021, the Group has entered into certain transactions which constituted continuing connected transactions (as defined in the Listing Rules) of the Company and details of which are set out below in accordance with the Listing Rules.

A. China United Network Communications Group Company Limited ("Unicom") and its subsidiaries and associates (collectively the "Unicom Group")

A wholly-owned subsidiary of Unicom is a substantial shareholder and connected person (as defined in the Listing Rules) of the Company. Accordingly, the Unicom Group is a connected person of the Company and transactions between the Group and the Unicom Group constitute connected transactions for the Company under the Listing Rules.

The Group has, from time to time, entered into transactions with the Unicom Group relating to the acquisition and provision of certain information technology services and products (the "Unicom Transactions"). These transactions constituted continuing connected transactions of the Company under the Listing Rules.

It is considered that the entering into of the Unicom Transactions is consistent with the commercial objectives of the Group and falls within the core business of the Group. It is anticipated that the entering into of the Unicom Transactions will further strengthen the Group's position as a provider of the information technology services in the People's Republic of China (the "PRC").

2. Continuing Connected Transactions *(continued)*

A. China United Network Communications Group Company Limited ("Unicom") and its subsidiaries and associates (collectively the "Unicom Group") *(continued)*

As stated in the Company's announcement dated December 3, 2020, the Company set the annual caps for each of the following categories of the Unicom Transactions for the three financial years ending December 31, 2023 based on the nature of transactions from time to time entered into with the Unicom Group:

(1) Provision of data services by the Group to the Unicom Group

The provision of data services by the Group to the Unicom Group refers to the provision of dedicated networks and network facilities, in the form of private leased lines, Internet Protocol platforms and/or data center services, for mainly data and voice communication, both locally and internationally.

The charges for these data services may include a one-off charge per circuit and a monthly rental charge. The monthly rental charge may comprise the fixed recurring charge and the variable charge which is determined based on the volume of data usage by the Unicom Group.

(2) Provision of data services by the Unicom Group to the Group

The provision of data services by the Unicom Group to the Group refers to the provision of dedicated networks and network facilities, in the form of private leased lines, Internet Protocol platforms and/or data center services, by the Unicom Group to the Group. The dedicated networks and network facilities are mainly used for data and voice communication, both locally and internationally. The bases of calculation of the payments to be made under the agreements are:

(a) Payments determined by reference to prices specified in guidance issued by the PRC Government, or in the absence of the PRC Government guidance prices, by reference to the market price of the same or similar data services;

(b) Agreed unit prices, determined by reference to comparable market prices, the committed contract duration and/or the committed volumes. In this regard, customers committing to a longer contract period or greater volume may enjoy a lower price; and/or

(c) Agreed pricing for individual services on a case by case basis, by reference to current market offers and comparable market prices for similar services provided on substantially the same terms and conditions.

Each of the bases of calculation described in (a), (b) and (c) above is comparable to those obtained from independent third parties.

(3) Provision of systems integration services by the Group to the Unicom Group

The provision of systems integration services by the Group to the Unicom Group refers to the provision of services and/or hardware and/or software required to set up a computer system, network system or information technology infrastructure according to the user's requirements. Such systems integration services provided under the agreements include system design, project management, system implementation, managed services, consultancy, hardware, hosting, software development, testing and maintenance. Many of such systems integration services agreements were entered into following a competitive tender process initiated by the Unicom Group and, accordingly, were entered into on terms and conditions specified by the relevant member of the Unicom Group as part of the tender procedures. The remaining contracts were entered into on an individual basis through direct negotiations with the Unicom Group.

The values of respective systems integration projects are determined by the number of man-hour involved and the unit price per man-hour being charged.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

2. Continuing Connected Transactions *(continued)*

A. China United Network Communications Group Company Limited ("Unicom") and its subsidiaries and associates (collectively the "Unicom Group") *(continued)*

As a general principle, the prices and terms of the agreements with the Unicom Group shall be determined on a commercial arm's length basis, and on terms no less favourable to the Group than terms available to or from independent third parties. The duration or term of each Unicom Transaction will not exceed three years, other than those capacity purchase and sale contracts relating to the grant of indefeasible rights to use bandwidth capacity within the economic life of the bandwidth capacity (the "IRU Contracts") available on both groups' networks to and/or from the Unicom Group or contracts of a similar nature.

The Group may, from time to time, enter into the IRU Contracts which are categorized under data services (as mentioned above) and are part of the normal commercial activities of the Group. As disclosed in the Company's announcement dated December 3, 2020, Yue Xiu Capital Limited was appointed as the Company's independent financial adviser in accordance with the Listing Rules to advise on the duration of the IRU Contracts to be entered into by the Group and the Unicom Group and was of the opinion that (i) the duration of the IRU Contracts being longer than three years and for up to 15 years is essential to safeguard the interests of the Company and its shareholders; and (ii) it is a normal business practice for contracts of this type to be of such duration. Waivers have been sought from and granted by the Stock Exchange from strict compliance with the Listing Rules requirements of having written agreements for the Unicom Transactions and an independent financial adviser opinion each time in relation to the execution of IRU Contract with the Unicom Group with a duration exceeding three years. Such waivers apply until December 31, 2023.

The approximate aggregate value and the annual cap of each category of the Unicom Transactions are set out below:

Category	Approximate aggregate values for the financial year ended December 31, 2021 HK$'000	Annual caps for the Unicom Group for the financial year ended December 31, 2021 HK$'000
(1) Provision of data services by the Group to the Unicom Group	165,211	500,000
(2) Provision of data services by the Unicom Group to the Group	105,184	800,000
(3) Provision of systems integration services by the Group to the Unicom Group	18,330	300,000

As referred to in the Company's announcement dated January 4, 2008, PCCW Solutions (Guangzhou) Limited ("PCCW GZ"), an indirect wholly-owned subsidiary of the Company, entered into a lease and facility and management services agreement (the "Agreement") with China Network Communications Group Corporation Guangdong Branch ("CNC GD"), the Guangdong branch of China Network Communications Group Corporation ("CNC") in January 2008 with duration exceeding three years. These transactions constituted continuing connected transactions of the Company under the Listing Rules. It is considered that the entering into of the Agreement with the Unicom Group will complement and ensure stable, uninterrupted and reliable services to be provided by the Group and will allow the Group to achieve its commercial objectives and enhance the core business of the Group, which may enhance the business and performance of the Group.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

2. Continuing Connected Transactions *(continued)*

A. China United Network Communications Group Company Limited ("Unicom") and its subsidiaries and associates (collectively the "Unicom Group") *(continued)*

Pursuant to the Agreement, CNC GD leases to PCCW GZ an area for use as a service centre and provides PCCW GZ with facility and management services in respect of certain area in CNC Science Town Telecommunications Hub Building situated in the Guangzhou Science Town, Guangdong Province, the PRC (the "Lease and Facility and Management Services"). Access Capital Limited (now known as Templewater Hong Kong Limited), an independent financial adviser, which was appointed by the Company in accordance with the Listing Rules, was of the view that the transactions under the Agreement may enhance and safeguard the business and performance of the Group, and the interests of the Company and its shareholders as a whole, and given the nature of the lease and the services to be provided by CNC GD under the Agreement and any supplemental agreement when it is entered into, it is a normal business practice for the Agreement and the supplemental agreement in relation to the optional extended areas (if and when it is entered into when the area extension option is exercised by PCCW GZ pursuant to the Agreement), if any, to have a duration of 15 years, with an option to renew for another five years. The approximate rental and service fees charged by CNC GD for the year ended December 31, 2021 was HK$19,219,235 which did not exceed the annual cap for the fourteenth year of the 15-year term of HK$42,037,000.

The Unicom Transactions and the Lease and Facility and Management Services are collectively referred to as the "CU Transactions". The Company has complied with the applicable requirements under Chapter 14A of the Listing Rules with respect to the continuing connected transactions during the year 2021.

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

Members of the Group entered into various continuing connected transaction agreements with the FWD Group for the provision and receipt of certain services and products by the Group to or from the FWD Group (the "FWD Transactions") and as stated in the joint announcement of the Company and HKT Trust and HKT dated December 24, 2020, the Company set the annual caps for the FWD Transactions 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 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 the Company. Accordingly, members of the FWD Group are associates of Li Tzar Kai, Richard and thus connected persons of the Company under Chapter 14A of the Listing Rules.

Set out below are the continuing connected transactions between the 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 Company has complied with the applicable requirements under Chapter 14A of the Listing Rules with respect to the below continuing connected transactions during the year.

(1) Services provided by the Group to the FWD Group

(a) Telecommunications and related services

On December 24, 2020, Hong Kong Telecommunications (HKT) Limited ("HK Telecom"), an indirect non-wholly owned subsidiary of the Company, entered into a telecommunications and related services agreement with FWD Group Management Holdings Limited ("FWD Group Management"), a member of the FWD Group, pursuant to which HK Telecom has agreed to provide, or procure other members of the Group to provide, telecommunications and related services to the FWD Group. The relevant services are charged either 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 Group and the FWD Group from time to time, or on cost-plus basis as agreed by the relevant members of the Group and the FWD Group from time to time.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(CONTINUED)*

2. Continuing Connected Transactions *(continued)*

B. FWD Group Holdings Limited and its subsidiaries (collectively, the "FWD Group") *(continued)*

(1) Services provided by the Group to the FWD Group *(continued)*

(b) Insurance and related services

On December 24, 2020, HKT Financial Services (IA) Limited ("HKTIA"), an indirect non-wholly owned subsidiary of the Company, entered into an insurance and related services agreement with FWD Life Insurance Company (Bermuda) Limited ("FWD Life Insurance"), a member of the FWD Group, pursuant to which HKTIA has agreed to provide, or procure other members of the Group to provide, insurance and related services to the FWD Group. The relevant 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 Group and the FWD Group; or where applicable, the relevant premium to be received by the Group from the FWD Group will be determined based on prevailing market rates and actuarial review of the relevant members of the Group and the FWD Group.

(c) Information technology ("IT") and related services

On December 24, 2020, PCCW Solutions Limited ("PCCW Solutions"), an indirect wholly-owned subsidiary of the Company, entered into an IT and related services agreement with FWD Group Management, pursuant to which PCCW Solutions has agreed to provide, or procure other members of the Group to provide, IT and related services to the FWD Group. Such services are expected to include, without limitation, data center co-location service, hardware procurement service, SD wan connectivity services, information technology solutions and services such as software development and system implementation, hosting and managed services, and ancillary and related facilities and services, hardware, software, services and network procurement and maintenance services and any other ancillary and related services. The fees payable by the FWD Group will be determined based on actual level of usage of services, such as the number of application and support servers installed and number of support staff required during the construction process and maintenance period; the infrastructure and systems requirements as provided on a monthly basis. One-time setup or configuration charges may also be applicable. 3% annual price increment to reflect inflation and market outlook; the volume and value of hardware, software, services and network services supplied, as well as the current market price with adjustment based on the Consumer Price Index annual growth factor forecasted by Bloomberg.

(2) Services provided by the FWD Group to the Group

On December 24, 2020, each of PCCW Services Limited ("PCCW Services", a direct wholly-owned subsidiary of the Company) and HKT Services Limited ("HKT Services", an indirect non-wholly owned subsidiary of the Company) entered into a FWD Insurance services and products agreement with FWD Life Insurance on the same terms. Under the agreements, 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 Group, which are expected to include, without limitation, 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 respective groups; and other insurance and related services and products as may be agreed to be provided by members of the respective groups from time to time.

2. 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 of each category of the FWD Transactions are set out below:

Agreement/Service description	Approximate aggregate values for the financial year ended December 31, 2021 HK$'000	Annual caps for the FWD Group for the financial year ended December 31, 2021 HK$'000
Services provided by the Group to the FWD Group:		
(1) Telecommunications and related services	38,529	100,000
(2) Insurance and related services	11,179	150,000
(3) IT and related services	36,365	280,000
Services provided by the FWD Group to the Group		
(4) FWD Insurance services and products	125,289	520,000

C. Annual Review of Continuing Connected Transactions

The Company's external auditor was engaged to report on the CU Transactions and the FWD Transactions entered into by the 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 CU Transactions and the FWD Transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the external auditor's letter has been provided by the Company to the Stock Exchange.

The Board, including the independent non-executive directors of the Company, has reviewed and confirmed that the CU Transactions and the FWD Transactions for the year ended December 31, 2021 were entered into:

(i) in the ordinary and usual course of business of the 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 shareholders of the Company 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 consolidated financial statements. 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 "**Connected Transactions and 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.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Company's directors.

AUDITOR

The consolidated financial statements 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 annual general meeting of the Company. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

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 SHAREHOLDERS OF PCCW LIMITED
(Incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of PCCW Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 97 to 234, 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 consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its 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 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 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 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the 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 consolidated financial statements*	
The Group recognized revenue of HK$38,654 million for the year ended December 31, 2021, including external revenue from HKT Limited ("HKT"), Media Business and Solutions Business of HK$32,685 million, HK$2,058 million and HK$3,911 million, respectively. The Group enters into bundled sale contracts with customers in which, apart from the provision of telecommunications, media and solutions services, the Group has 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 HKT and Media 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. The majority of revenue in Solutions Business is recognized over time using the input method based on the percentage of completion of the related contracts. The measurement of the revenue amount generated in each period, including estimates of the contract costs incurred to date and the total estimated contract costs, required individual consideration and significant management's judgement.	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; • For revenue recognized over time, testing, on a sample basis, the amount of revenue recognized with regard to contract costs incurred to date and the total estimated contract costs, which were assessed for reasonableness with reference to supporting evidence; 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
Impairment assessments for CGUs containing goodwill *Refer to note 21 to the consolidated financial statements* As at December 31, 2021, the Group had goodwill amounting to HK$18,248 million. 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.	Our procedures in relation to the judgements and estimates used in the impairment assessments included: • Obtaining an understanding of and evaluating the internal controls, and validating key controls in place on impairment assessment 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 accounting policies and our understanding of the Group's businesses; • Involving our internal expert in assessing the value-in-use calculation methodology in accordance with Hong Kong Accounting Standard 36 *Impairment of Assets*; • 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. 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.

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

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Income taxes *Refer to notes 13 and 39 to the consolidated financial statements* The Group operates across several jurisdictions and is 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. The Group recognized deferred income tax assets of HK$1,668 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 has considered the future taxable profits and business plans.	Our procedures in relation to the judgements and estimates used in the recognition of current income tax provisions and deferred income tax assets included: • 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. 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.

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

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the PCCW Limited 2021 annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the 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 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 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 Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the 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 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 financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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, 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 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 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 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.

- 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 internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

- 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 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 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the 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 to express an opinion on the 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 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

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

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2021

In HK$ million (except for (loss)/earnings per share)	Note(s)	2020 (Restated)	2021
Continuing operations			
Revenue	7, 8	35,984	**38,654**
Cost of sales	10(b)	(19,189)	**(21,269)**
General and administrative expenses	10(c)	(12,553)	**(12,669)**
Other losses, net	9	(563)	**(45)**
Interest income		67	**69**
Finance costs	11	(1,638)	**(1,401)**
Share of results of associates		(6)	**590**
Share of results of joint ventures		(19)	**(18)**
Profit before income tax	7, 10	2,083	**3,911**
Income tax	13	(705)	**(1,065)**
Profit for the year from continuing operations		1,378	**2,846**
Discontinued operations			
(Loss)/Profit for the year from discontinued operations	5	(729)	**101**
Profit for the year		649	**2,947**
(Loss)/Profit attributable to:			
Equity holders of the Company		(1,020)	**1,039**
Holders of perpetual capital securities		–	**226**
Non-controlling interests		1,669	**1,682**
		649	**2,947**
(Loss)/Profit attributable to equity holders of the Company arising from:			
Continuing operations		(533)	**386**
Discontinued operations		(487)	**653**
		(1,020)	**1,039**
(Loss)/Earnings per share	15		
Basic (loss)/earnings per share arising from:			
Continuing operations		(6.91) cents	**5.00 cents**
Discontinued operations		(6.31) cents	**8.46 cents**
		(13.22) cents	**13.46 cents**
Diluted (loss)/earnings per share arising from:			
Continuing operations		(6.91) cents	**4.99 cents**
Discontinued operations		(6.31) cents	**8.45 cents**
		(13.22) cents	**13.44 cents**

The notes on pages 106 to 234 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2021

In HK$ million	2020 (Restated)	**2021**
Profit for the year	649	**2,947**
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to consolidated income statement:		
Remeasurements of defined benefit retirement schemes obligations	(15)	**18**
	(15)	**18**
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
– exchange differences on translating foreign operations	202	**(347)**
– reclassification of currency translation reserve on deconsolidation of subsidiaries	5	**270**
Cash flow hedges:		
– effective portion of changes in fair value	(271)	**(2)**
– transfer from equity to consolidated income statement	(82)	**8**
Costs of hedging	186	**(43)**
	40	**(114)**
Other comprehensive income/(loss) for the year	25	**(96)**
Total comprehensive income for the year	674	**2,851**
Attributable to:		
Equity holders of the Company	(1,106)	**1,194**
Holders of perpetual capital securities	–	**226**
Non-controlling interests	1,780	**1,431**
Total comprehensive income for the year	674	**2,851**
Total comprehensive (loss)/income for the year attributable to equity holders of the Company arising from:		
Continuing operations	(531)	**400**
Discontinued operations	(575)	**794**
	(1,106)	**1,194**

The notes on pages 106 to 234 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

In HK$ million	Note	2020 Attributable to equity holders of the Company	Non-controlling interests	Total equity
As at January 1, 2020		15,538	2,434	17,972
Total comprehensive income/(loss) for the year				
(Loss)/Profit for the year		(1,020)	1,669	649
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to consolidated income statement:				
Remeasurements of defined benefit retirement schemes obligations	36(a)	(15)	–	(15)
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:				
Translation exchange differences:				
– exchange differences on translating foreign operations		12	190	202
– reclassification of currency translation reserve on deconsolidation of subsidiaries		3	2	5
Cash flow hedges:				
– effective portion of changes in fair value	33(e)	(143)	(128)	(271)
– transfer from equity to consolidated income statement	33(e)	(42)	(40)	(82)
Costs of hedging	33(e)	99	87	186
Other comprehensive (loss)/income		(86)	111	25
Total comprehensive (loss)/income for the year		(1,106)	1,780	674
Transactions with equity holders				
Issue of shares of PCCW Limited ("PCCW Shares") under share award scheme	34(a)	–*	–	–*
Purchases/Subscription of PCCW Shares under share award schemes		(8)	(1)	(9)
Purchases/Subscription of share stapled units of HKT Trust and HKT Limited ("Share Stapled Units") under share award schemes		(12)	(2)	(14)
Employee share-based compensation	37(b)	52	18	70
Distributions/Dividends for PCCW Shares and Share Stapled Units granted under share award schemes		(8)	–	(8)
Dividend paid in respect of the previous year	14	(1,774)	–	(1,774)
Dividend declared and paid in respect of the current year	14	(709)	–	(709)
Distributions/Dividends declared and paid to non-controlling shareholders of subsidiaries		–	(2,578)	(2,578)
Special interim dividend by way of distribution in specie	14(a)	(1,760)	1,760	–
Total contributions by and distributions to equity holders		(4,219)	(803)	(5,022)
Acquisition of a subsidiary		–	(33)	(33)
Deconsolidation of subsidiaries		–	(20)	(20)
Decrease in interests in subsidiaries that does not result in a loss of control	49	(263)	263	–
Accretion on put option to the non-controlling shareholder of an indirect non-wholly owned subsidiary that does not result in a loss of control	41(b)	(17)	–	(17)
Total transactions with equity holders		(4,499)	(593)	(5,092)
As at December 31, 2020		9,933	3,621	13,554

* Amount of HK$100,000

For the year ended December 31, 2021

In HK$ million	Note	2021 Attributable to equity holders of the Company	Perpetual capital securities	Non-controlling interests	Total equity
As at January 1, 2021		9,933	–	3,621	13,554
Total comprehensive income/(loss) for the year					
Profit for the year		1,039	226	1,682	2,947
Other comprehensive income/(loss)					
Items that will not be reclassified subsequently to consolidated income statement:					
Remeasurements of defined benefit retirement schemes obligations	36(a)	18	–	–	18
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:					
Translation exchange differences:					
– exchange differences on translating foreign operations		(120)	–	(227)	(347)
– reclassification of currency translation reserve on deconsolidation of subsidiaries	5	270	–	–	270
Cash flow hedges:					
– effective portion of changes in fair value	33(e)	(1)	–	(1)	(2)
– transfer from equity to consolidated income statement	33(e)	4	–	4	8
Costs of hedging	33(e)	(16)	–	(27)	(43)
Other comprehensive income/(loss)		155	–	(251)	(96)
Total comprehensive income for the year		1,194	226	1,431	2,851
Transactions with equity holders					
Issue of perpetual capital securities		–	5,776	–	5,776
Purchases of PCCW Shares under share award scheme		(22)	–	(3)	(25)
Purchases of Share Stapled Units under share award schemes		(10)	–	(2)	(12)
Employee share-based compensation	37(b)	39	–	16	55
Vesting of PCCW Shares and Share Stapled Units under share award schemes		(1)	–	1	–
Distributions/Dividends for PCCW Shares and Share Stapled Units granted under share award schemes		(5)	–	–	(5)
Dividend paid in respect of the previous year	14	(1,776)	–	–	(1,776)
Dividend declared and paid in respect of the current year	14	(722)	–	–	(722)
Distributions/Dividends declared and paid to non-controlling shareholders of subsidiaries		–	–	(2,627)	(2,627)
Distributions paid to holders of perpetual capital securities		–	(116)	–	(116)
Total contributions by and distributions to equity holders		(2,497)	5,660	(2,615)	548
Acquisition of a subsidiary		–	–	(1)	(1)
Decrease in interests in subsidiaries that results in a loss of control	5	1	–	(1,817)	(1,816)
Decrease in interests in subsidiaries that does not result in a loss of control	38(c)	(136)	–	500	364
Accretion on put option to the non-controlling shareholder of an indirect non-wholly owned subsidiary that does not result in a loss of control	41(b)	(18)	–	–	(18)
Total transactions with equity holders		(2,650)	5,660	(3,933)	(923)
As at December 31, 2021		8,477	5,886	1,119	15,482

The notes on pages 106 to 234 form part of these consolidated financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at December 31, 2021

In HK$ million	Note*	The Group 2020	The Group 2021	(Additional information) The Company 2020	(Additional information) The Company 2021
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	16	29,225	**25,866**	–	**–**
Right-of-use assets	17	3,602	**2,341**	–	**–**
Investment properties	18	3,617	**–**	–	**–**
Interests in leasehold land	19	350	**329**	–	**–**
Properties held for/under development	20	3,035	**–**	–	**–**
Goodwill	21	18,461	**18,248**	–	**–**
Intangible assets	22	14,534	**18,572**	–	**–**
Fulfillment costs		1,418	**1,512**	–	**–**
Customer acquisition costs		798	**879**	–	**–**
Contract assets		354	**300**	–	**–**
Interests in subsidiaries		–	**–**	33,852	**35,723**
Interests in associates	24	1,344	**2,095**	–	**–**
Interests in joint ventures	25	440	**397**	–	**–**
Financial assets at fair value through other comprehensive income	26	124	**124**	–	**–**
Financial assets at fair value through profit or loss	27	757	**1,731**	–	**–**
Other financial assets	28	–	**1,341**	–	**–**
Derivative financial instruments	33	243	**146**	29	**–**
Deferred income tax assets	39	932	**788**	–	**–**
Other non-current assets	29	1,294	**933**	–	**–**
		80,528	**75,602**	33,881	**35,723**
Current assets					
Amounts due from subsidiaries		–	**–**	5,122	**1,857**
Sales proceeds held in stakeholders' accounts	30(a)	504	**–**	–	**–**
Properties under development/held for sale	20	279	**–**	–	**–**
Inventories	30(d)	1,081	**1,444**	–	**–**
Prepayments, deposits and other current assets	30(c)	3,400	**3,137**	60	**74**
Contract assets		2,376	**2,977**	–	**–**
Trade receivables, net	30(e)	4,627	**5,761**	–	**–**
Amounts due from related companies	6(e)	49	**34**	–	**–**
Derivative financial instruments	33	–	**25**	–	**25**
Tax recoverable		22	**20**	–	**–**
Restricted cash	30(b)	222	**187**	–	**–**
Short-term deposits		538	**472**	–	**–**
Cash and cash equivalents	42(c)	4,081	**4,564**	229	**1,430**
		17,179	**18,621**	5,411	**3,386**
Assets classified as held for sale	30(h)	132	**–**	–	**–**
		17,311	**18,621**	5,411	**3,386**

In HK$ million				(Additional information)	
		The Group		The Company	
	Note*	2020	**2021**	2020	**2021**
Current liabilities					
Short-term borrowings	30(f)	(2,370)	**(2,419)**	–	**–**
Trade payables	30(g)	(4,418)	**(5,770)**	–	**–**
Accruals and other payables		(6,188)	**(8,170)**	(14)	**(11)**
Amount payable to the Government under the Cyberport Project Agreement	32	(330)	**–**	–	**–**
Derivative financial instruments	33	(29)	**–**	(5)	**(4)**
Carrier licence fee liabilities	40	(215)	**(315)**	–	**–**
Amounts due to related companies	6(e)	(47)	**(66)**	–	**–**
Advances from customers		(310)	**(270)**	–	**–**
Contract liabilities		(1,629)	**(1,658)**	–	**–**
Lease liabilities		(1,508)	**(1,120)**	–	**–**
Current income tax liabilities		(1,290)	**(1,827)**	–	**–**
		(18,334)	**(21,615)**	(19)	**(15)**
Non-current liabilities					
Long-term borrowings	31	(54,319)	**(44,404)**	(3,609)	**–**
Amounts due to subsidiaries		–	**–**	(3,391)	**(6,902)**
Derivative financial instruments	33	(137)	**(128)**	–	**–**
Deferred income tax liabilities	39	(4,023)	**(4,267)**	–	**–**
Defined benefit retirement schemes liability	36(a)	(129)	**(103)**	–	**–**
Carrier licence fee liabilities	40	(627)	**(3,449)**	–	**–**
Contract liabilities		(1,074)	**(1,159)**	–	**–**
Lease liabilities		(2,362)	**(1,273)**	–	**–**
Other long-term liabilities	41	(3,280)	**(2,343)**	–	**–**
		(65,951)	**(57,126)**	(7,000)	**(6,902)**
Net assets		13,554	**15,482**	32,273	**32,192**

In HK$ million				(Additional information)	
		The Group		The Company	
	Note*	2020	**2021**	2020	**2021**
CAPITAL AND RESERVES					
Share capital	34	12,954	**12,954**	12,954	**12,954**
Reserves	38	(3,021)	**(4,477)**	19,319	**19,238**
Equity attributable to equity holders of the Company		9,933	**8,477**	32,273	**32,192**
Perpetual capital securities	35	–	**5,886**	–	**–**
Non-controlling interests		3,621	**1,119**	–	**–**
Total equity		13,554	**15,482**	32,273	**32,192**

The consolidated financial statements were approved and authorized for issue by the board of directors of the Company (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 referenced above pertain solely to the consolidated statement of financial position. The above Company statement of financial position as at December 31, 2020 and 2021 is presented only as additional information to these consolidated financial statements. The Company statement of financial position as at December 31, 2021 as presented in note 4 was approved and signed by the directors.

The notes on pages 106 to 234 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

In HK$ million	Note	2020	**2021**
NET CASH GENERATED FROM OPERATING ACTIVITIES	42(a)	12,695	**9,704**
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(3,033)	**(3,591)**
Proceeds from disposals of property, plant and equipment		6	**44**
Payment for investment properties		(12)	**(1)**
Additions of intangible assets		(4,093)	**(4,328)**
Net inflow of cash and cash equivalents from deconsolidation of subsidiaries		157	**3,470**
Net outflow of cash and cash equivalents in respect of business combinations		(248)	**–**
Settlement of considerations in respect of business combinations in prior years		(44)	**–**
Investment in a joint venture		–	**(30)**
Investments in associates		(117)	**(311)**
Loans to an associate		(11)	**–**
Loans to a joint venture		(56)	**(41)**
Repayment of loan from an associate		11	**–**
Proceeds from disposal of assets classified as held for sale		–	**132**
Purchases of financial assets at fair value through profit or loss		(70)	**(1,301)**
Purchases of other financial assets		–	**(561)**
Proceeds from disposal of financial assets at fair value through profit or loss		14	**222**
Dividends received from an associate		10	**550**
Dividends received from a financial asset at fair value through profit or loss		–	**2**
Increase in short-term deposits with maturity more than three months		(52)	**(1,876)**
NET CASH USED IN INVESTING ACTIVITIES		(7,538)	**(7,620)**

In HK$ million	Note	2020	**2021**
FINANCING ACTIVITIES			
New borrowings raised	42(b)	26,768	**28,587**
Finance costs paid	42(b)	(1,345)	**(1,193)**
Repayments of borrowings	42(b)	(25,312)	**(27,974)**
Proceeds from issuance of perpetual capital securities		–	**5,776**
Proceeds from issuance of share by a then non-wholly owned subsidiary		–	**364**
Movement in amounts due to a related company	42(b)	–	**22**
Payment for modification of guaranteed notes	42(b)	(20)	**–**
Payment for lease liabilities (including interest)	42(b)	(1,974)	**(1,903)**
Decrease/(Increase) in restricted cash	42(b)	485	**(7)**
Dividends paid to shareholders of the Company		(2,483)	**(2,498)**
Distributions/Dividends paid to non-controlling shareholders of subsidiaries		(2,578)	**(2,627)**
Distributions paid to holders of perpetual capital securities		–	**(116)**
Consideration paid to acquire non-controlling interests of a subsidiary		(8)	**–**
NET CASH USED IN FINANCING ACTIVITIES		(6,467)	**(1,569)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,310)	**515**
Exchange differences		55	**(32)**
CASH AND CASH EQUIVALENTS			
Beginning of year		5,336	**4,081**
End of year	42(c)	4,081	**4,564**

The notes on pages 106 to 234 form part of these consolidated financial statements.

1 GENERAL INFORMATION

PCCW Limited ("PCCW" or the "Company") was incorporated in the Hong Kong Special Administrative Region ("Hong Kong") and its securities have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since October 18, 1994. The address of its registered office is 41st Floor, PCCW Tower, Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong. The principal activities of the Company and its subsidiaries (together the "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, and other telecommunications businesses such as customer premises equipment sales, outsourcing, consulting, and contact centers; multimedia businesses including the provision of interactive pay-TV services and over-the-top ("OTT") digital media entertainment services in Hong Kong, the Asia Pacific region, and other parts of the world; and investments in, and development of, systems integration, network engineering, and information technology-related businesses. Through HK Television Entertainment Company Limited, PCCW also operates a domestic free television service in Hong Kong. The Group also has an interest in the development and management of premium-grade property and infrastructure projects as well as premium-grade property investments through its interest in Pacific Century Premium Developments Limited ("PCPD"). PCPD ceased to be a subsidiary, and became an associate, of the Company on December 29, 2021, from which date the financial results and positions of PCPD and its subsidiaries (the "PCPD Group") are accounted for under equity method in the Group's consolidated financial statements.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

a. Statement of compliance

These 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 requirements of the Hong Kong Companies Ordinance (Cap. 622). A summary of the principal accounting policies adopted by the Group 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 Group'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 Group 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 51.

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

The consolidated statements of financial position for the years ended December 31, 2020 and 2021 include additional information about the Company statement of financial position. The Company statement of financial position as at December 31, 2021 presented in note 4, which was prepared in accordance with the requirements of Part 1 "Accounting Disclosures" of Schedule 4 to the Hong Kong Companies Ordinance (Cap. 622), was approved and signed by the directors.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

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

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

- investment properties – fair value (see note 2(g));
- financial assets at fair value through profit or loss – fair value (see note 2(o));
- financial assets at fair value through other comprehensive income – fair value (see note 2(o));
- derivative financial instruments – fair value (see note 2(q));
- defined benefit retirement schemes liability – fair value (see note 2(ae)(ii)); and
- assets held for sale – fair value less costs to sell (see note 2(al)).

As at December 31, 2021, the current liabilities of the Group exceeded its current assets by HK$2,994 million. Included in the current liabilities were short-term borrowings of HK$2,419 million, which mainly represented the reclassification of borrowings from non-current liabilities to current liabilities in the current year as their maturity dates fall due within the next twelve-month period. The Group has arrangements to refinance this balance via long-term borrowings. As at December 31, 2021, the Group had a total undrawn banking facilities amounted to HK$20,528 million, which would be sufficient to enable the Group to meet its liabilities as and when they fall due within the next twelve-month period. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

The 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 consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

c. Subsidiaries and non-controlling interests

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

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

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

c. Subsidiaries and non-controlling interests *(continued)*

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. 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 Group recognizes 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 2(j)). 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 Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity holders of the Group. 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.

When the Group ceases 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 Group 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.

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

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

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 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 Group has 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 consolidated financial statements using the equity method and are initially recorded at cost. The Group's interests in associates include goodwill identified on acquisition, net of any accumulated impairment loss and adjust thereafter for the post-acquisition changes in the Group's share of the associates' net assets. The consolidated income statement includes the Group's 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 Group's share of the post-acquisition, post-tax items of the associates' other comprehensive income.

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

Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's 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 Group.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

e. Joint arrangements

The Group applies 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 Group classifies joint arrangements as joint ventures when the Group has rights to the net assets of the joint arrangement.

Investments in joint ventures are accounted for in the consolidated financial statements using the equity method, as described in note 2(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 Group.

The Group classifies joint arrangements as joint operations when the Group has rights to the individual assets, and obligations for the individual liabilities, relating to the arrangement.

The Group recognizes the following in relation to its interest in a joint operation:

i. its assets, including its share of any assets held jointly;

ii. its liabilities, including its share of any liabilities incurred jointly;

iii. its revenue from the sale of its share of the output arising from the joint operation;

iv. its share of the revenue from the sale of the output by the joint operation; and

v. its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the Hong Kong Financial Reporting Standards applicable to the particular assets, liabilities, revenue and expenses.

f. 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 2(p)(ii)):

– buildings held for own use which are situated on leasehold/freehold land, where the fair value of the building could be measured separately from the fair value of the leasehold/freehold land at the inception of the lease (see note 2(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.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

f. Property, plant and equipment *(continued)*

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 Group 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.

Freehold land and 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:

Land and 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.

g. Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(h)) to earn rental income and/or for capital appreciation, and which are not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Land held under leases is classified and accounted for as an investment property when the rest of the definition of investment property is met.

Investment properties are initially measured at their cost, including directly attributable construction costs, borrowing costs and other related transaction costs. After initial recognition, investment properties are stated in the consolidated statement of financial position at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee and are prepared or reviewed periodically by independent external valuers. The fair values of investment properties reflect, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair values also reflect, on a similar basis, any cash outflows that could be expected in respect of the properties. Changes in fair value arising on the revaluation of investment properties are recognized in the consolidated income statement.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in the consolidated income statement in the period in which they are incurred.

2 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 Group determines 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 Group

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 Group. 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, except where the property is classified as an investment property (see note 2(g)) or property under development/held for sale/held for development (see note 2(i)).

The Group has 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 Group 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 Group, as a lessee, 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 incentive 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.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

h. Leased assets *(continued)*

ii. Assets leased out by the Group

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 Group leases 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 Group's depreciation policies. Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(p)(ii). Revenue arising from operating leases is recognized in accordance with the Group's revenue recognition policies as set out in note 2(y)(iv).

i. Properties under development/held for sale/held for development

Properties held for development represent interests in land held for future development which are stated at cost less accumulated impairment losses (see note 2(p)(ii)).

Properties under development or held for sale are carried at the lower of cost and the estimated net realizable value. Cost includes original land acquisition costs, costs of land use rights, construction expenditures incurred and other direct development costs attributable to such properties, including interest incurred on loans directly attributable to the development prior to the completion of construction. The net realizable value is determined by reference to estimated sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses.

Properties under development with the development expected to be completed within one year from the end of the reporting period, which have either been pre-sold or are intended for sale, are classified under current assets.

Properties held for sale represent completed properties available for sale which are classified under current assets.

j. 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 Group's 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 2(p)(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.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

k. 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 Group has the right to return a licence and expects 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.

ii. Capitalized programme costs

Costs incurred to produce or acquire television rights, for which the Group 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 1 to 4 years and the licence period. Other costs incurred for the transmission rights for showing programmes, sports events and films on the Group's 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 Group has 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 Group has 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 5 to 15 years.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

k. Intangible assets (other than goodwill) *(continued)*

iv. Other intangible assets

Other intangible assets that are acquired by the Group 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 2(p)(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	4 to 12 years

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

l. Fulfillment costs

Direct costs incurred in fulfilling a contract with a customer, which mainly comprise setup and related costs in respect of the Group's telecommunications and media services, are capitalized as an asset to the extent that the cost generates or enhances resources of the Group 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.

m. 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 Group expects to recover those costs. Costs of obtaining a contract are amortized on a systematic basis over the expected life of the customer contract.

n. Contract assets/liabilities

Customer pays according to a pre-agreed payment schedule. If the performance obligations fulfilled by the Group 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 Group's rights to the contract consideration become unconditional.

Advances from customers represent refundable customer advances, please refer to note 2(v) for the accounting policies.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

o. Investments in debt and equity securities

Classification

The Group classifies its 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 Group's 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 Group has made an irrevocable election at the time of initial recognition to account for the equity instrument at FVOCI.

The Group reclassifies debt instruments when and only when its 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 Group commits 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 Group has transferred substantially all the risks and rewards of ownerships.

Initial measurement

At initial recognition, the Group measures 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.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

o. Investments in debt and equity securities *(continued)*

Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its 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 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 losses, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity instruments at fair value. Where the Group's 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 losses, net when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other 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.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

p. Impairment of assets

i. Investments in debt instruments and trade and other receivables

The Group assesses on forward-looking basis the expected credit losses associated with its 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 Group 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 Group 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 in the Group 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 Group measures 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 Group measures the loss allowance for that financial asset at an amount equal to 12-month expected credit losses.

For trade receivables and contract assets, the Group applies 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 Group considers 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 Group categorizes 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 Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in the consolidated income statement.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

p. Impairment of assets *(continued)*

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;
- properties under development/held for sale/held for development;
- 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.

- 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.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

p. Impairment of assets *(continued)*

ii. Impairment of other assets *(continued)*

– 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 Group is 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 Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(p)(i) and 2(p)(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.

q. 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 2(r)).

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.

r. Hedging

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows/fair value of the hedging instruments are expected to offset changes in the cash flows/fair value of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

i. 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 Group designates 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.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

r. Hedging *(continued)*

i. Cash flow hedges *(continued)*

When cross currency swap contracts are used to hedge future cash flows, the Group designates 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.

ii. Fair value hedges

When cross currency swap contracts are used to hedge the fair value of the recognized liabilities, the Group designates 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 swap contract after exclusion of foreign currency basis spread component are recognized in the consolidated income statement within finance costs, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the foreign currency basis spread of the swap contract to the extent it relates to the hedged item is recognized within other comprehensive income in the costs of hedging reserve within equity.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

s. 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 Group's 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.

t. 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 Group holds trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method, less loss allowance for expected credit losses (see note 2(p)(i)).

u. 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 Group's cash management.

v. 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.

w. 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.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

x. Provisions and contingent liabilities

Provisions are recognized when (i) the Group has 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.

y. Revenue recognition

The Group's revenue is primarily earned from the following business units: (i) Telecommunications, (ii) Media, (iii) Solutions and (iv) Properties.

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 Group's 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.

The Group often enters into bundled sale contracts with customers in which, apart from the provision of telecommunications, media, solutions and other services, the Group has certain other performance obligations to customers such as the delivery of handsets, equipment, gifts and reward points from the Group's 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 Group's 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 Group.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

y. Revenue recognition *(continued)*

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 Group also delivers 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 Group's performance as the Group performs 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 Group satisfies 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.

ii. Media

Media services comprise interactive pay-TV services, domestic free television service in Hong Kong and OTT digital media entertainment services.

Subscription income from the interactive pay-TV services and OTT digital media entertainment services are recognized ratably over the contract period which generally coincides with when the services are rendered.

Advertising income from interactive pay-TV services, domestic free television service in Hong Kong and OTT digital media entertainment services are recognized (i) when the advertisements are telecast on pay-TV and free 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 Group's 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.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

y. Revenue recognition *(continued)*

iii. Solutions

Solutions services comprise the provision of Information and Communications Technologies services and solutions to customers.

Revenue from Solutions services is recognized over time as the Group's 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 Group's 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.

iv. Properties

Revenue from sales of properties is recognized at a point in time when the customer obtains control of the completed property, which is typically when the property is legally or physically transferred to the customer. The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred.

Rental income receivable under operating leases is recognized in the consolidated income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. 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.

Hotel revenue from room rental is recognized over time during the period of stay for the hotel guests. Revenue from food and beverage sales and other ancillary services is generally recognized at the point in time when the services are rendered.

v. Commission income

Commission income is recognized when entitlement to the income is ascertained.

z. Interest income

Interest income is recognized on a time-apportioned basis using the effective interest method.

aa. Dividend income

Dividend income is recognized when the shareholder's right to receive payment is established.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

ab. 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.

ac. 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/properties 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.

ad. 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.

ad. Income tax *(continued)*

iii. *(continued)*

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 Group has 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 Group intends 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.

ae. 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 Group operates both defined benefit and defined contribution retirement schemes (including the Mandatory Provident Fund) for its employees, the assets of which are generally held in separate trustee-administered funds. The schemes are generally funded by contributions from the relevant Group companies and, in some cases, employees themselves, taking account of the recommendations of independent qualified actuaries if applicable.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

ae. Employee benefits *(continued)*

ii. Retirement benefits *(continued)*

For defined contribution retirement schemes, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

The Group's 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.

The Group's defined benefit retirement schemes liability recognized in the consolidated statement of financial position is the present value of the defined benefit retirement schemes obligation at the end of the reporting period less the fair value of scheme assets. The calculation is performed annually by independent qualified actuaries using the projected unit credit method. The present value of the defined benefit retirement schemes obligation is determined by discounting the estimated future cash outflows using discount rates with reference to market bond yields at the end of the reporting period, which have terms approximating the terms of the related liability.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit retirement schemes obligation and the fair value of plan assets. This cost is included in staff costs in the consolidated income statement.

In calculating the Group's defined benefit retirement schemes liability, any actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

iii. Share-based payments

The Company operates a share option scheme where employees (and including directors) are granted options to acquire PCCW Shares at specified exercise prices. The fair value of the employee services received in exchange for the grant of options 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 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 share options 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 share options that vests (with a corresponding adjustment to the employee share-based compensation reserve). The equity amount is recognized in the employee share-based compensation reserve until either the share options are exercised (when it is transferred to the share capital account) or the share options expire (when it is released directly to retained profits or accumulated losses). When the share options are exercised, the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

The Company also grants PCCW Shares and Share Stapled Units to employees at nil consideration under its share award schemes, under which the awarded PCCW Shares and Share Stapled Units are either newly issued at issue price (the "PCCW Subscription Scheme") or purchased from the open market (the "PCCW Purchase Scheme").

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

ae. Employee benefits *(continued)*

iii. Share-based payments *(continued)*

The cost of PCCW Shares purchased from the open market under the PCCW Purchase Scheme and the issue price of newly issued PCCW Shares under the PCCW Subscription Scheme are recognized in equity as treasury stock. The fair value of the employee services received in exchange for the grant of the PCCW Shares 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 PCCW Shares is measured by the quoted market price of the PCCW Shares at grant date and is charged to the consolidated income statement over the respective vesting period. 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 employee share-based compensation reserve. 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 employee share-based compensation reserve) and the cost of awarded PCCW Shares recognized as treasury stock is transferred to the employee share-based compensation reserve with the difference recognized in equity.

The cost of Share Stapled Units purchased from the open market under the PCCW Purchase Scheme and the issue price of newly issued Share Stapled Units under the PCCW Subscription Scheme are recognized in equity and non-controlling interests. 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 in equity is transferred to the employee share-based compensation reserve with the difference recognized in equity and non-controlling interests.

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.

af. Share-based payment transactions with cash alternatives

Share-based payment transactions are those arrangements which the terms provide either the Group or the counterparty with a choice of whether the Group settles the transaction in cash (or other assets) or by issuing equity instruments. Upon the vesting conditions, if any, are met, the Group shall account for that transaction, or the components of that transaction, as a cash-settled share-based payment transaction if, and to the extent that, the Group has incurred a liability to settle in cash (or other assets). Otherwise, the share-based payment transaction is accounted for as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

ag. Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's presentation currency.

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 acquired on or after January 1, 2005, are translated into Hong Kong dollars at the foreign exchange rates ruling at the end of the reporting period. Goodwill arising on consolidation of a foreign operation acquired before January 1, 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation. 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.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

ah. Related parties

For the purpose of these consolidated financial statements, a party is considered to be related to the Group if:

i. the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii. the Group and the party are subject to common control;

iii. the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv. the party is a member of key management personnel of the Group or the Group'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 Group or of any entity that is a related party of the Group; or

vii. the entity, or any member of the Group of which it is a part, provides key management personnel services to the Group.

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.

ai. 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 Group's 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 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.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES *(CONTINUED)*

aj. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements and the Company's financial statements in the period in which the dividend is approved by the Company's shareholders or directors, where appropriate.

ak. 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 Group 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 Group 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.

al. Assets held for sale and discontinued operations

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business, is part of a single co-ordinated plan to dispose of such a line of business. The results of discontinued operations are presented separately in the consolidated income statement and consolidated statement of comprehensive income.

am. Perpetual capital securities

Perpetual capital securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity.

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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Notes 21, 36(a) and 44 contain information about the assumptions and their risk factors relating to goodwill impairment, defined benefit retirement schemes liability and financial instruments. Management has also made judgements in applying the Group's 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 Group reviews internal and external sources of information to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognized no longer exists or may have decreased:

– property, plant and equipment;

– right-of-use assets;

– interests in leasehold land;

– properties held for/under development;

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

i. Impairment of assets (other than investments in debt instruments and trade and other receivables) *(continued)*

– 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 Group is required to use judgement in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed at the end of any given reporting period. Such information is particularly significant as it relates to the Group's telecommunications services and infrastructure businesses in Hong Kong.

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

ii. Revenue recognition

Under certain arrangements, apart from the provision of telecommunications, media, solutions and other services, the Group has 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 Group's 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 Group is required to exercise considerable judgement in relation to estimating the stand-alone selling price.

Revenue from Solutions services is recognized over time as the Group's performance creates or enhances an asset that the customer controls. Input method is used to measure the progress as it depicts the Group's performance in transferring the control of the asset. The progress is measured by reference to the percentage of contract costs incurred to date to the 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. The Group is required to exercise judgement in estimating the total contract costs to apply the percentage of completion method for revenue recognition.

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 Group considers future taxable income and business plans. In the event that the Group's 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 Group's ability to utilize the tax benefits of net operating loss carry-forwards in the future, adjustments to the recorded amount of net deferred income tax assets and income tax expense would be made.

iv. Current income tax

The Group makes a provision for current income tax based on estimated taxable income for the year. The estimated income tax liabilities are primarily computed based on the tax computations as prepared by the Group. Nevertheless, from time to time, there are 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 Group considers 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 Group has significant property, plant and equipment, intangible assets (other than goodwill), fulfillment costs and customer acquisition costs. The Group is 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 Group's strategies and expected lives of customer contracts. The Group performs 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 Group extends or shortens the lives according to the results of the reviews.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

vi. Lease term and discount rate determination

In determining the lease term, management considers facts and circumstances such as conditions of the Group's existing leases, future technology changes, business developments and the Group's 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$2,759 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 Group is 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).

vii. Value of unlisted securities

The fair value of financial instruments that are not traded in active market is individually determined at the end of each reporting period by management based on market value assessment taking into consideration of portfolio statements, if any. Fair value is determined using various valuation techniques such as discounted cash flow analysis. Note 44(e) contains details of key assumptions used.

viii. Loss of control of PCPD

On March 24, 2021, PCPD completed the rights issue. Accordingly, the Group's economic interest in PCPD decreased from approximately 40.0% to approximately 31.2%. Subsequently, pursuant to the sale and purchase agreement dated December 23, 2021, the Group completed the sale of approximately 1.1% equity interest in PCPD on December 29, 2021 for a total consideration of HK$13 million, and the Group's equity interest in PCPD was reduced to approximately 30.1% accordingly.

Management assesses whether the Group has lost de facto control over PCPD during the year ended December 31, 2021. Such assessment involved significant judgement which were based on an analysis of various indicators, such as the percentage of ownership interest and voting right held, the representation on the PCPD's board of directors and various other factors including the relationship of key management personnel of PCPD and the Group, applicable statutes and regulations, and the practical ability to exercise control. Because of the further reduction in equity interest in PCPD during the year and the change in the Group's representation on PCPD's board of directors, the Group deems that it has lost control over PCPD and ceases to consolidate PCPD from December 29, 2021 accordingly.

4 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

In HK$ million	Note	2020	**2021**
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries		33,852	**35,723**
Derivative financial instruments		29	**–**
		33,881	**35,723**
Current assets			
Amounts due from subsidiaries		5,122	**1,857**
Prepayments, deposits and other current assets		60	**74**
Derivative financial instruments		–	**25**
Cash and cash equivalents		229	**1,430**
		5,411	**3,386**
Current liabilities			
Accruals and other payables		(14)	**(11)**
Derivative financial instruments		(5)	**(4)**
		(19)	**(15)**
Non-current liabilities			
Long-term borrowings		(3,609)	**–**
Amounts due to subsidiaries		(3,391)	**(6,902)**
		(7,000)	**(6,902)**
Net assets		32,273	**32,192**
CAPITAL AND RESERVES			
Share capital	34	12,954	**12,954**
Reserves	38	19,319	**19,238**
Total equity		32,273	**32,192**

Approved and authorized for issue by the Board on February 24, 2022 and signed on behalf of the Board by

Li Tzar Kai, Richard
Director

Hui Hon Hing, Susanna
Director

5 DISCONTINUED OPERATIONS

Pursuant to the share purchase agreement dated July 26, 2021, the divestment of the Group's entire interests in data center business in Hong Kong and Malaysia comprising the provision of carrier-neutral colocation services carried on by PCCW Powerbase Data Center Services (HK) Limited and PCCW Solutions Data Centers Malaysia Sdn. Bhd. (the "Discontinued Data Center Business") was completed on December 3, 2021 for a total consideration of US$750 million (equivalent to approximately HK$5,850 million), subject to certain adjustments in accordance with the terms of the share purchase agreement.

Pursuant to the sale and purchase agreement dated December 23, 2021, the Group completed the sale of approximately 1.1% equity interest in PCPD on December 29, 2021 for a total consideration of HK$13 million, and the Group's equity interest in PCPD was reduced to approximately 30.1% accordingly. Following the completion of the sale and a change of directorship in the board of directors of PCPD, the Group is no longer considered having de facto control over PCPD with effect from December 29, 2021, and PCPD ceased to be a subsidiary and became an associate of the Group (the "Deconsolidation of PCPD").

In accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the operating results of the Discontinued Data Center Business and PCPD before the respective dates of completion have been presented as discontinued operations in the Group's consolidated income statement and consolidated statement of comprehensive income. The comparative figures for the year ended December 31, 2020 in the Group's consolidated income statement and consolidated statement of comprehensive income were restated to reflect the reclassification between continuing operations and discontinued operations of the Group accordingly.

An analysis of the financial results and cash flows relating to the discontinued operations and the related gain/loss on deconsolidation of subsidiaries are set out below:

a. Financial results and cash flow information

The financial results and cash flow information presented are for the year ended December 31, 2020 and the financial period from January 1, 2021 to the respective dates of completion of the divestment of the Discontinued Data Center Business and Deconsolidation of PCPD.

In HK$ million	2020	**2021**
Revenue *(note iii)*	2,494	**1,202**
Cost of sales	(1,731)	**(483)**
General and administrative expenses	(935)	**(982)**
Other losses, net	(229)	**(15)**
Interest income	9	**7**
Finance costs	(283)	**(466)**
Loss before income tax	(675)	**(737)**
Income tax	(54)	**(52)**
Loss after income tax	(729)	**(789)**
Gain on divestment of Discontinued Data Center Business *(note i)*	–	**1,518**
Loss on Deconsolidation of PCPD *(note ii)*	–	**(628)**
(Loss)/Profit from discontinued operations	(729)	**101**
Attributable to:		
Equity holders of the Company	(487)	**653**
Non-controlling interests	(242)	**(552)**
	(729)	**101**

5 DISCONTINUED OPERATIONS *(CONTINUED)*

a. Financial results and cash flow information *(continued)*

In HK$ million	2020	**2021**
(Loss)/Profit from discontinued operations	(729)	**101**
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:		
Translation exchange differences:		
– exchange differences on translating foreign operations	72	**(342)**
– reclassification of currency translation reserve on deconsolidation of subsidiaries	–	**270**
Total comprehensive (loss)/income from discontinued operations	(657)	**29**
Attributable to:		
Equity holders of the Company	(575)	**794**
Non-controlling interests	(82)	**(765)**
	(657)	**29**

i. Gain on divestment of Discontinued Data Center Business

In HK$ million	**2021**
Cash consideration, net of direct expenses	**3,789**
Less: Carrying amount of net assets deconsolidated of	**(2,269)**
Reclassification of currency translation reserve on deconsolidation of subsidiaries	**(2)**
Gain on divestment of Discontinued Data Center Business	**1,518**

ii. Loss on Deconsolidation of PCPD

In HK$ million	**2021**
Cash consideration, net of direct expenses	**13**
Fair value of the retained interest in PCPD	**368**
Less: Carrying amount of net assets attributable to PCCW deconsolidated of	**(741)**
Reclassification of currency translation reserve on deconsolidation of subsidiaries	**(268)**
Loss on Deconsolidation of PCPD *(note)*	**(628)**

Note: Save for the loss on Deconsolidation of PCPD of HK$628 million, included in the share of results of associates recognized in the Group's consolidated income statement was an excess of PCCW's share of the net fair value of PCPD's identifiable assets and liabilities over the fair value of the PCCW's retained interests upon the Deconsolidation of PCPD of HK$648 million. Accordingly, the net impact to the Group's consolidated income statement attributable to the Deconsolidation of PCPD was a credit of HK$20 million for the year ended December 31, 2021.

5 DISCONTINUED OPERATIONS *(CONTINUED)*

a. Financial results and cash flow information *(continued)*

iii. Revenue of discontinued operations

In HK$ million	2020	**2021**
External revenue from contracts with customers		
– recognized at a point in time	1,416	**93**
– recognized over time	675	**666**
External revenue – rental income	173	**176**
Internal revenue	230	**267**
	2,494	**1,202**
Attributable to:		
– PCPD segment	1,843	**467**
– Solutions Business segment	651	**735**
	2,494	**1,202**

iv. EBITDA* of discontinued operations

In HK$ million	2020	**2021**
Attributable to:		
– PCPD segment	28	**(175)**
– Solutions Business segment	292	**383**
	320	**208**

* As defined in note 7

v. Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred by discontinued operations

In HK$ million	2020	**2021**
Attributable to:		
– PCPD segment	217	**223**
– Solutions Business segment	262	**930**
	479	**1,153**

vi. Cash flows of discontinued operations

In HK$ million	2020	**2021**
Net cash generated from operating activities	1,491	**473**
Net cash used in investing activities	(820)	**(3,095)**
Net cash (used in)/generated from financing activities	(851)	**3,152**
Net cash (outflow)/inflow from discontinued operations	(180)	**530**

5 DISCONTINUED OPERATIONS *(CONTINUED)*

b. Details of the discontinued operations

Net assets of Discontinued Data Center Business and PCPD as at the respective dates of deconsolidation:

In HK$ million	**Carrying amount**
Property, plant and equipment	**4,955**
Right-of-use assets	**808**
Investment properties	**3,625**
Interests in leasehold land	**3**
Properties held for/under development	**3,087**
Goodwill	**213**
Intangible assets	**35**
Financial assets at fair value through profit or loss	**8**
Deferred income tax assets	**7**
Other non-current assets	**342**
Total non-current assets *(note)*	**13,083**
Sales proceeds held in stakeholders' accounts	**504**
Properties under development/held for sale	**260**
Inventories	**18**
Prepayments, deposits and other current assets	**546**
Contract assets	**151**
Trade receivables, net	**142**
Amounts due from related companies	**4**
Tax recoverable	**4**
Restricted cash	**119**
Short-term deposits	**1,942**
Cash and cash equivalents	**1,706**
Total current assets	**5,396**
Short-term borrowings	**(2,427)**
Trade payables	**(24)**
Accruals and other payables	**(548)**
Amount payable to the Government under the Cyberport Project Agreement	**(334)**
Advances from customers	**(39)**
Contract liabilities	**(98)**
Lease liabilities	**(189)**
Current income tax liabilities	**(11)**
Total current liabilities	**(3,670)**
Long-term borrowings	**(8,880)**
Deferred income tax liabilities	**(93)**
Lease liabilities	**(768)**
Other long-term liabilities	**(241)**
Total non-current liabilities	**(9,982)**
Net assets	**4,827**
Less: Non-controlling interests	**(1,817)**
Net assets attributable to PCCW deconsolidated of	**3,010**

Note: Included total non-current assets of HK$2,886 million and HK$10,197 million attributable to the respective segments of Solutions Business and PCPD as at the respective dates of deconsolidation.

5 DISCONTINUED OPERATIONS *(CONTINUED)*

b. Details of the discontinued operations *(continued)*

In HK$ million	
Consideration settled by cash, net of direct expenses paid	**5,176**
Less: Cash and cash equivalents deconsolidated	**(1,706)**
Net inflow of cash and cash equivalents from deconsolidation of subsidiaries	**3,470**

6 RELATED PARTY TRANSACTIONS

During the year, the Group had the following significant transactions with related parties:

In HK$ million	Note	2020	**2021**
Telecommunications service fees, consultancy service charges, facility management service charges and interest income received or receivable from joint ventures	a	44	**40**
Telecommunications service fees, connectivity service fees, system integration service fees, interest income, contact center services charges, equipment sales, consultancy service charges, advertising fees, and other costs recharge received or receivable from associates	a	20	**30**
Telecommunications service fees, system integration service fees and data center service fees received or receivable from a substantial shareholder	a	120	**182**
Telecommunications service fees, equipment purchase costs, outsourcing fees, rental charges and interest expense paid or payable to joint ventures	a	255	**295**
Telecommunications service fees, data center service fees and facility management service charges paid or payable to a substantial shareholder	a	121	**124**
Telecommunications service fees, data center service fees, connectivity service fees, equipment sales, insurance premium, insurance agency service charges, rental income, system integration service fees, advertising fees, interest income and other costs recharge received or receivable from related parties under a common shareholder with the Company	a	68	**140**
Insurance premium, rental charges and other costs recharge paid or payable to related parties under a common shareholder with the Company	a	10	**137**
Purchase of guaranteed notes issued by a related party under a common shareholder with the Company	b	–	**561**
Disposal of assets classified as held for sales to a related party under a common shareholder with the Company	c	–	**132**
Key management compensation	d	88	**103**

a. The above transactions were carried out after negotiations between the Group 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. The issue price was determined in accordance with the demand for the guaranteed notes offered, which has been coordinated and managed by major financial institutions.

c. The consideration was determined after arm's length negotiation between the contracting parties on the basis of comparable market prices.

6 RELATED PARTY TRANSACTIONS *(CONTINUED)*

d. Details of key management compensation

In HK$ million	2020	**2021**
Salaries and other short-term employee benefits	65	**83**
Share-based compensation	20	**17**
Post-employment benefits	3	**3**
	88	**103**

e. Balances with related companies

As at December 31, 2021, other than as specified in notes 24 and 25 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 other amounts due from/(to) related companies are unsecured, non-interest bearing, and have no fixed repayment terms.

As at December 31, 2020, other than as specified in notes 24 and 25 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 other amounts due from/(to) related companies are unsecured, non-interest bearing, and have no fixed repayment terms.

7 SEGMENT INFORMATION

The CODM is the Group's senior executive management. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources and the segment information is reported below in accordance with this internal reporting.

The CODM considers the business from the product perspective and assesses the performance of the following segments:

– HKT Limited ("HKT") is Hong Kong's premier telecommunications service provider. The principal activities of HKT and its subsidiaries are the provision of telecommunications and related services which include local telephony, local data and broadband, international telecommunications, mobile, 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.

– Media Business offers OTT digital media entertainment services in Hong Kong, the Asia Pacific region, and other parts of the world and domestic free television service in Hong Kong. Prior to October 1, 2020, Media Business also offered pay-TV services.

– Solutions Business offers Information and Communications Technologies services and solutions in Hong Kong and other parts of Greater China and Asia.

As disclosed in note 5, the operating results of the Discontinued Data Center Business in Solutions Business and PCPD were classified as discontinued operations of the Group and were excluded from the segment information in the year ended December 31, 2021. The comparative figures of segment information for the year ended December 31, 2020 were restated to follow the current year presentation accordingly.

7 SEGMENT INFORMATION *(CONTINUED)*

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, investment properties, interests in leasehold land, right-of-use assets and intangible assets, net other gains/losses, losses on property, plant and equipment, restructuring costs, impairment losses on goodwill, tangible and intangible assets and interests in associates and joint ventures, and the Group's share of results of associates and joint ventures.

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

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

In HK$ million	2020 (Restated)						
	Reportable segments					Other#	Consolidated
	HKT	Media Business	Solutions Business	Eliminations	Total		
REVENUE							
External revenue	30,896	2,356	2,732	–	35,984	–	35,984
Inter-segment revenue	1,493	1,013	1,353	(3,859)	–	–	–
Total revenue	32,389	3,369	4,085	(3,859)	35,984	–	35,984
External revenue from contracts with customers:							
Timing of revenue recognition							
At a point in time	5,173	336	49	–	5,558	–	5,558
Over time	25,663	2,020	2,683	–	30,366	–	30,366
External revenue from other sources:							
Rental income	60	–	–	–	60	–	60
	30,896	2,356	2,732	–	35,984	–	35,984
RESULTS							
EBITDA	12,527	(38)	502	(873)	12,118	(460)	11,658
OTHER INFORMATION							
Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred during the year	2,437	103	91	–	2,631	1	2,632

7 SEGMENT INFORMATION *(CONTINUED)*

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

In HK$ million	2021						
	Reportable segments					Other#	Consolidated
	HKT	Media Business	Solutions Business	Eliminations	Total		
REVENUE							
External revenue	32,685	2,058	3,911	–	38,654	–	38,654
Inter-segment revenue	1,276	222	983	(2,481)	–	–	–
Total revenue	33,961	2,280	4,894	(2,481)	38,654	–	38,654
External revenue from contracts with customers:							
Timing of revenue recognition							
At a point in time	6,848	465	57	–	7,370	–	7,370
Over time	25,784	1,593	3,854	–	31,231	–	31,231
External revenue from other sources:							
Rental income	53	–	–	–	53	–	53
	32,685	2,058	3,911	–	38,654	–	38,654
RESULTS							
EBITDA	12,733	71	656	(613)	12,847	(538)	12,309
OTHER INFORMATION							
Capital expenditure (including property, plant and equipment and interests in leasehold land) incurred during the year	2,458	48	19	–	2,525	1	2,526

Other primarily comprises corporate support functions.

7 SEGMENT INFORMATION *(CONTINUED)*

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

In HK$ million	2020 (Restated)	**2021**
Total segment EBITDA	11,658	**12,309**
Gains on disposal of property, plant and equipment and right-of-use assets, net	1	**33**
Depreciation and amortization	(7,417)	**(7,626)**
Other losses, net	(563)	**(45)**
Interest income	67	**69**
Finance costs	(1,638)	**(1,401)**
Share of results of associates and joint ventures	(25)	**572**
Profit before income tax from continuing operations	2,083	**3,911**

The following table sets out information about the geographical location of the Group's revenue from external customers. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location that the Group derives revenue from customers.

In HK$ million	2020 (Restated)	**2021**
Hong Kong (place of domicile)	28,399	**29,999**
Mainland and other parts of China	1,188	**1,476**
Singapore	2,374	**2,730**
Others	4,023	**4,449**
	35,984	**38,654**

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$65,163 million (2020: HK$63,318 million), and the total of these non-current assets located in other geographical locations was HK$6,172 million (2020: HK$14,878 million).

8 REVENUE

In HK$ million	2020 (Restated)	**2021**
Revenue from contracts with customers	35,924	**38,601**
Revenue from other sources: rental income	60	**53**
	35,984	**38,654**

a. Revenue recognition in relation to contract liabilities

In HK$ million	2020 (Restated)	**2021**
Revenue recognized that was included in the contract liability balance at the beginning of the year	1,560	**1,549**

b. Unsatisfied long-term fixed-price contracts

In HK$ million	2020 (Restated)	**2021**
Aggregate amount of the transaction price allocated to long-term fixed-price contracts that are partially or fully unsatisfied as at December 31,	40,936	**43,967**

As at December 31, 2021, management expected that 32% and 20% (2020 (restated): 31% and 15%) 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 48% (2020 (restated): 54%) would be recognized as revenue in the periods afterwards. The amount disclosed above does not include unsatisfied performance obligation that is related to the Group's contracts with customers with duration of one year or less and contracts with customers billed directly according to performance completed to date.

9 OTHER LOSSES, NET

In HK$ million	2020 (Restated)	**2021**
Fair value movement of derivative financial instruments	5	**24**
Fair value losses on financial assets at FVPL *(note 27)*	(116)	**(80)**
Write-off of intangible assets *(note 22)*	(409)	**(5)**
Loss on deconsolidation of subsidiaries, net	(35)	**–**
Others	(8)	**16**
	(563)	**(45)**

10 PROFIT BEFORE INCOME TAX

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

a. Staff costs

In HK$ million	2020 (Restated)	**2021**
Retirement costs under defined contribution retirement scheme	402	**419**
Retirement costs under defined benefit retirement schemes	2	**1**
	404	**420**
Share-based compensation expenses	67	**55**
Salaries, bonuses and other benefits	3,602	**4,335**
	4,073	**4,810**
Less: staff costs included in cost of sales	(2,363)	**(2,803)**
Staff costs included in general and administrative expenses	1,710	**2,007**

10 PROFIT BEFORE INCOME TAX *(CONTINUED)*

Profit before income tax was stated after charging and crediting the following: *(continued)*

b. Cost of sales

In HK$ million	2020 (Restated)	**2021**
Cost of inventories sold	4,652	**6,463**
Connectivity costs	6,801	**6,274**
Staff costs	2,363	**2,803**
Write-back of provision for inventory obsolescence, net	(16)	**(8)**
Others	5,389	**5,737**
	19,189	**21,269**

c. General and administrative expenses

In HK$ million	2020 (Restated)	**2021**
Staff costs	1,710	**2,007**
Impairment loss for trade receivables	389	**262**
Depreciation of property, plant and equipment	1,394	**1,396**
Depreciation of right-of-use assets – land and buildings	1,484	**1,440**
Depreciation of right-of-use assets – network capacity and equipment	192	**165**
Amortization of land lease premium – interests in leasehold land	18	**18**
Amortization of intangible assets	2,736	**3,072**
Amortization of fulfillment costs	489	**393**
Amortization of customer acquisition costs	1,104	**1,142**
Gains on disposal of property, plant and equipment and right-of-use assets, net	(1)	**(33)**
Exchange losses, net	30	**3**
Less: cash flow hedges: transfer from equity	(73)	**26**
Less: fair value hedges: transfer to finance costs	11	**(14)**
Remuneration to the Company's auditor		
– audit and audit-related services	28	**27**
– non-audit services	8	**4**
Remuneration to other auditors		
– audit and audit-related services	23	**14**
– non-audit services	4	**2**
Others	3,007	**2,745**
	12,553	**12,669**

During the year ended December 31, 2020, the Group has recognized in the consolidated income statement a subsidy of HK$530 million (restated) from the Employment Support Scheme introduced by the Government of Hong Kong (the "Government").

11 FINANCE COSTS

In HK$ million	2020 (Restated)	**2021**
Interest expense, excluding interest expense on lease liabilities	1,623	**1,408**
Interest expense on lease liabilities	91	**77**
Notional accretion on carrier licence fee liabilities	36	**64**
Other finance costs	35	**28**
Fair value hedges: exchange difference transferred from exchange (gains)/losses, net	(11)	**14**
Adjustment of borrowings attributable to foreign currency risk	11	**(14)**
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)**
Hedge ineffectiveness: cross currency swap contracts – fair value hedges for interest rate risk and foreign currency risk	(4)	**(6)**
Cash flow hedges: transfer from equity	(9)	**(18)**
Unwind of interest rate swap contracts	–	**(46)**
Impact of re-designation of fair value hedges	16	**16**
	1,786	**1,495**
Interest capitalized in property, plant and equipment and intangible assets *(note a)*	(148)	**(94)**
	1,638	**1,401**

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 (restated): 2.88% to 3.49%).

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															
	Directors' fees		Salaries		Allowances		Benefits in kind[1]		Bonuses[2]		Retirement schemes contributions		Share-based compensation[3]		Total	
	PCCW (excluding PCPD)	PCPD	PCCW (excluding PCPD)	PCPD	PCCW (excluding PCPD)	PCPD	PCCW (excluding PCPD)	PCPD	PCCW (excluding PCPD)	PCPD	PCCW (excluding PCPD)	PCPD	PCCW (excluding PCPD)	PCPD	PCCW (excluding PCPD)	PCPD
Executive directors																
Li Tzar Kai, Richard	–	–	–	–	–	–	0.05	–	–	–	–	–	–	–	0.05	–
Srinivas Bangalore Gangaiah	–	–	11.17	–	1.75	–	0.11	–	1.30	–	1.16	–	6.77	–	22.26	–
Hui Hon Hing, Susanna	–	–	8.79	–	6.44	–	0.06	–	13.82	–	1.05	–	8.42	–	38.58[4]	–
Lee Chi Hong, Robert	–	4.00	–	–	–	–	–	0.14	–	–	–	–	–	–	–	4.14
Non-executive directors																
Li Fushen	0.50[5]	–	–	–	–	–	–	–	–	–	–	–	–	–	0.50	–
Shao Guanglu[6]	0.05[7]	–	–	–	–	–	–	–	–	–	–	–	–	–	0.05	–
Zhu Kebing	0.50[8]	–	–	–	–	–	–	–	–	–	–	–	–	–	0.50	–
Tse Sze Wing, Edmund	0.25	–	–	–	–	–	–	–	–	–	–	–	–	–	0.25	–
Wei Zhe, David	0.25	–	–	–	–	–	–	–	–	–	–	–	–	–	0.25	–
Mai Yanzhou[9]	0.20[10]	–	–	–	–	–	–	–	–	–	–	–	–	–	0.20	–
Independent non-executive directors																
Aman Mehta	1.00[11]	–	–	–	–	–	–	–	–	–	–	–	–	–	1.00	–
Frances Waikwun Wong	0.62[12]	–	–	–	–	–	–	–	–	–	–	–	–	–	0.62	–
Bryce Wayne Lee	0.25	–	–	–	–	–	–	–	–	–	–	–	–	–	0.25	–
Lars Eric Nils Rodert	0.25	–	–	–	–	–	–	–	–	–	–	–	–	–	0.25	–
David Christopher Chance	0.37[13]	–	–	–	–	–	–	–	–	–	–	–	–	–	0.37	–
David Lawrence Herzog	0.25	–	–	–	–	–	–	–	–	–	–	–	–	–	0.25	–
	4.49	4.00	19.96	–	8.19	–	0.22	0.14	15.12	–	2.21	–	15.19	–	65.38	4.14

Notes:

1. Benefits in kind include medical insurance premium and club membership fees, where applicable.
2. Bonus amounts shown above represent the 2019 bonuses that were paid in 2020. It was determined by reference to the Group and the individual performance during the year ended December 31, 2019.
3. Share-based compensation amounts shown above represent the aggregate fair values at the respective award dates of the PCCW Shares and/or Share Stapled Units vested in 2020 for respective directors under the share award schemes.
4. Represents the total emoluments receivable from both the Company and HKT for acting as the group chief financial officer and the group managing director respectively.
5. Fees receivable as a non-executive director of both the Company and HKT in 2020 were 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, a substantial shareholder of the Company.
6. Resigned as a non-executive director with effect from March 9, 2020.
7. 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. Shao Guanglu and China United Network Communications Group Company Limited, a substantial shareholder of the Company.
8. Fees receivable as a non-executive director of both the Company and HKT in 2020 were 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, a substantial shareholder of the Company.
9. Appointed as a non-executive director with effect from March 9, 2020.
10. 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. Mai Yanzhou and China United Network Communications Group Company Limited, a substantial shareholder of the Company.
11. Includes HK$124,400 fee as Chairman of Nomination Committee, HK$124,400 fee as Chairman of Audit Committee and HK$124,400 fee as Chairman of Remuneration Committee of the Company as well as fees of HK$248,800 and HK$124,400 for acting as an independent non-executive director of HKT and Chairman of its Nomination Committee respectively.
12. Includes fees of HK$248,800 and HK$124,400 for acting as an independent non-executive director of HKT and Chairperson of its Remuneration Committee respectively.
13. Includes HK$124,400 fee as independent non-executive Chairman of PCCW Media Limited, a subsidiary of the Company.

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 schemes contributions		Share-based compensation[3]		Total	
	PCCW (excluding PCPD)	PCPD	PCCW (excluding PCPD)	PCPD	PCCW (excluding PCPD)	PCPD	PCCW (excluding PCPD)	PCPD	PCCW (excluding PCPD)	PCPD	PCCW (excluding PCPD)	PCPD	PCCW (excluding PCPD)	PCPD	PCCW (excluding PCPD)	PCPD
Executive directors																
Li Tzar Kai, Richard	-	-	-	-	-	-	0.05	-	-	-	-	-	-	-	0.05	-
Srinivas Bangalore Gangaiah	-	-	11.21	-	1.71	-	0.12	-	14.04	-	1.16	-	6.55	-	34.79	-
Hui Hon Hing, Susanna	-	-	8.79	-	6.44	-	0.07	-	11.42	-	1.05	-	11.68	-	39.45[4]	-
Lee Chi Hong, Robert[5]	-	4.00	-	-	-	-	-	0.15	-	-	-	-	-	-	-	4.15
Non-executive directors																
Li Fushen[6]	0.48[7]	-	-	-	-	-	-	-	-	-	-	-	-	-	0.48	-
Zhu Kebing[8]	0.48[9]	-	-	-	-	-	-	-	-	-	-	-	-	-	0.48	-
Tse Sze Wing, Edmund	0.25	-	-	-	-	-	-	-	-	-	-	-	-	-	0.25	-
Wei Zhe, David	0.25	-	-	-	-	-	-	-	-	-	-	-	-	-	0.25	-
Mai Yanzhou	0.25[10]	-	-	-	-	-	-	-	-	-	-	-	-	-	0.25	-
Meng Shusen[11]	–[12]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wang Fang[13]	–[14]	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent non-executive directors																
Aman Mehta	1.00[15]	-	-	-	-	-	-	-	-	-	-	-	-	-	1.00	-
Frances Waikwun Wong	0.62[16]	-	-	-	-	-	-	-	-	-	-	-	-	-	0.62	-
Bryce Wayne Lee	0.25	-	-	-	-	-	-	-	-	-	-	-	-	-	0.25	-
Lars Eric Nils Rodert	0.25	-	-	-	-	-	-	-	-	-	-	-	-	-	0.25	-
David Christopher Chance	0.37[17]	-	-	-	-	-	-	-	-	-	-	-	-	-	0.37	-
David Lawrence Herzog	0.25	-	-	-	-	-	-	-	-	-	-	-	-	-	0.25	-
	4.45	4.00	20.00	-	8.15	-	0.24	0.15	25.46	-	2.21	-	18.23	-	78.74	4.15

Notes:

1 Benefits in kind include medical insurance premium and club membership fees, where applicable.

2 Bonus amounts shown above represent the 2020 bonuses that were paid in 2021. It was determined by reference to the Group and the individual performance during the year ended December 31, 2020.

3 Share-based compensation amounts shown above represent the aggregate fair values at the respective award dates of the PCCW Shares and/or Share Stapled Units vested in 2021 for respective directors under the share award schemes.

4 Represents the total emoluments receivable from both the Company and HKT for acting as the group chief financial officer and the group managing director respectively.

5 Resigned as an executive director with effect from December 29, 2021.

6 Resigned as a non-executive director with effect from December 17, 2021.

7 Fees receivable as a non-executive director of both the Company and HKT in 2021 were 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, a substantial shareholder of the Company.

8 Resigned as a non-executive director with effect from December 17, 2021.

9 Fees receivable as a non-executive director of both the Company and HKT in 2021 were 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, a substantial shareholder of the Company.

10 Fees receivable as a non-executive director of both the Company and HKT in 2021 were 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, a substantial shareholder of the Company.

11 Appointed as a non-executive director with effect from December 29, 2021.

12 Fee receivable of HK$2,045 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. Meng Shusen and China United Network Communications Group Company Limited, a substantial shareholder of the Company.

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)*

Notes: *(continued)*

13 Appointed as a non-executive director with effect from December 29, 2021.

14 Fees receivable of HK$4,090 as a non-executive director of both the Company and HKT in 2021 were 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, a substantial shareholder of the Company.

15 Includes HK$124,400 fee as Chairman of Nomination Committee, HK$124,400 fee as Chairman of Audit Committee and HK$124,400 fee as Chairman of Remuneration Committee of the Company as well as fees of HK$248,800 and HK$124,400 for acting as an independent non-executive director of HKT and Chairman of its Nomination Committee respectively.

16 Includes fees of HK$248,800 and HK$124,400 for acting as an independent non-executive director of HKT and Chairperson of its Remuneration Committee respectively.

17 Includes HK$124,400 fee as independent non-executive Chairman of PCCW Media Limited, a subsidiary of the Company.

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 Group 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 Group's 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, two (2020: two) are directors of the Company whose emoluments are disclosed in note 12(a). The emoluments in respect of the three (2020: three) 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	32	**27**
Bonuses	15	**28**
Retirement scheme contributions	2	**2**
	49	**57**

ii. The emoluments of the three (2020: three) non-director individuals for the year ended December 31, 2021 were within the following emolument ranges:

	Number of individuals	
	2020	**2021**
HK$8,500,001 – HK$9,000,000	1	**–**
HK$14,000,001 – HK$14,500,000	–	**1**
HK$19,000,001 – HK$19,500,000	1	**–**
HK$20,500,001 – HK$21,000,000	1	**–**
HK$21,000,001 – HK$21,500,000	–	**1**
HK$21,500,001 – HK$22,000,000	–	**1**
	3	**3**

13 INCOME TAX

a. Income tax in the consolidated income statement represents:

In HK$ million	2020 (Restated)	**2021**
Current income tax:		
Hong Kong profits tax		
– provision for current year	415	**484**
– under/(over) provision in respect of prior years	4	**(5)**
Overseas tax		
– provision for current year	49	**103**
– under provision in respect of prior years	4	**1**
Movement of deferred income tax	233	**482**
	705	**1,065**

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.

13 INCOME TAX *(CONTINUED)*

b. Reconciliation between income tax expense and accounting profit at applicable tax rate:

In HK$ million	2020 (Restated)	**2021**
Profit before income tax	2,083	**3,911**
Notional tax on profit before income tax, calculated at the Hong Kong tax rate of 16.5% (2020: 16.5%)	343	**645**
Effect of different tax rates of subsidiaries operating overseas	34	**23**
Income not subject to tax	(142)	**(41)**
Expenses not deductible for tax purposes	247	**247**
Tax losses not recognized	383	**422**
Under/(Over) provision in respect of prior years, net	8	**(4)**
Utilization of previously unrecognized tax losses	(28)	**(11)**
Recognition of previously unrecognized tax losses	–	**(17)**
Recognition of previously unrecognized temporary differences	(6)	**(24)**
Results of associates and joint ventures not deductible/(subject to tax) for tax purposes	4	**(94)**
Withholding tax and others	22	**71**
Corporate income tax incentives	(160)	**(152)**
Income tax expense	705	**1,065**

14 DIVIDENDS

In HK$ million	2020	**2021**
Interim cash dividend declared and paid in respect of the current year of 9.36 HK cents (2020: 9.18 HK cents) per ordinary share	710	**723**
Less: dividend for PCCW Shares held by share award schemes	(1)	**(1)**
	709	**722**
Special interim dividend by way of distribution in specie *(note a)*	1,603	**–**
Final cash dividend declared in respect of the previous financial year, approved and paid during the year of 23 HK cents (2020: 23 HK cents) per ordinary share	1,778	**1,778**
Less: dividend for PCCW Shares held by share award schemes	(4)	**(2)**
	1,774	**1,776**
	4,086	**2,498**
Final cash dividend proposed after the end of the reporting period of 27.69 HK cents (2020: 23 HK cents) per ordinary share *(note b)*	1,778	**2,140**

14 DIVIDENDS *(CONTINUED)*

a. On August 6, 2020, the Board declared a special interim dividend in the form of a distribution in specie of shares of PCPD (the "PCPD Shares") to the qualifying shareholders in proportion to their then respective shareholdings in the Company (the "Distribution") on the basis of 85 PCPD Shares for every 1,000 PCCW Shares, provided that if certain condition is fulfilled by September 1, 2020, the amount of the Distribution would be increased to 108 PCPD Shares for every 1,000 PCCW Shares. With such condition fulfilled in August 2020, the Company made the Distribution of a total of 834,800,925 PCPD Shares with an aggregate market value of HK$1,603 million to qualifying shareholders on the basis of 108 PCPD Shares for every 1,000 PCCW Shares in September 2020. Immediately after the Distribution, the Company's economic interest in PCPD Group reduced from approximately 92.6% to approximately 40.0% with a corresponding increase in non-controlling interests attributable to the PCPD Group of HK$1,760 million measured according to the attributable carrying amount.

b. Final cash dividend proposed after the end of the reporting period is not recognized as a liability at the end of the reporting period.

15 (LOSS)/EARNINGS PER SHARE

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

	2020	**2021**
(Loss)/Earnings (in HK$ million)		
(Loss)/Earnings for the purpose of basic and diluted (loss)/earnings per share arising from:		
Continuing operations	(533)	**386**
Discontinued operations	(487)	**653**
	(1,020)	**1,039**
Number of shares		
Weighted average number of ordinary shares	7,727,589,069	**7,729,638,249**
Effect of PCCW Shares held under the Company's share award schemes	(10,648,965)	**(8,606,206)**
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	7,716,940,104	**7,721,032,043**
Effect of PCCW Shares awarded under the Company's share award schemes	–*	**7,309,850**
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	7,716,940,104	**7,728,341,893**

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

16 PROPERTY, PLANT AND EQUIPMENT

In HK$ million	2020					
	Land and buildings	Exchange equipment	Transmission plant	Other plant and equipment	Projects under construction	Total
Cost						
Beginning of year	1,766	16,042	22,882	17,739	5,513	63,942
Additions	17	329	617	614	1,534	3,111
Additions upon business combinations	–	23	–	28	–	51
Transfers	2,586	436	979	251	(4,252)	–
Disposals	–	(386)	(3)	(201)	–	(590)
Deconsolidation of subsidiaries	–	–	–	(249)	–	(249)
Exchange differences	117	11	58	69	19	274
End of year	4,486	16,455	24,533	18,251	2,814	66,539
Accumulated depreciation and impairment						
Beginning of year	713	10,610	12,644	12,170	–	36,137
Charge for the year	152	387	444	642	–	1,625
Disposals	–	(384)	(3)	(196)	–	(583)
Provision for impairment *(note)*	221	–	–	8	–	229
Deconsolidation of subsidiaries	–	–	–	(183)	–	(183)
Exchange differences	5	5	34	45	–	89
End of year	1,091	10,618	13,119	12,486	–	37,314
Net book value						
End of year	3,395	5,837	11,414	5,765	2,814	29,225
Beginning of year	1,053	5,432	10,238	5,569	5,513	27,805

Note: During the year ended December 31, 2020, provision for impairment was recognized on the land and buildings and other plant and equipment related to the hotels located in Hokkaido, Japan of PCPD. As disclosed in note 5, the results of PCPD were presented as discontinued operations for the years ended December 31, 2020 and 2021.

As at December 31, 2020, certain property, plant and equipment were pledged as security for certain banking facilities of the Group. Refer to note 47 for details of the Group's banking facilities.

16 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

In HK$ million	2021					
	Land and buildings	Exchange equipment	Transmission plant	Other plant and equipment	Projects under construction	Total
Cost						
Beginning of year	4,486	16,455	24,533	18,251	2,814	66,539
Additions	10	404	484	1,329	1,452	3,679
Transfers	227	211	440	532	(1,410)	–
Disposals	(40)	(313)	(258)	(196)	–	(807)
Deconsolidation of subsidiaries	(2,823)	(82)	(5)	(3,247)	(213)	(6,370)
Exchange differences	(261)	–	(66)	(51)	(42)	(420)
End of year	1,599	16,675	25,128	16,618	2,601	62,621
Accumulated depreciation and impairment						
Beginning of year	1,091	10,618	13,119	12,486	–	37,314
Charge for the year	149	425	611	531	–	1,716
Disposals	(20)	(313)	(258)	(185)	–	(776)
Deconsolidation of subsidiaries	(257)	(26)	(5)	(1,127)	–	(1,415)
Exchange differences	(18)	–	(40)	(26)	–	(84)
End of year	945	10,704	13,427	11,679	–	36,755
Net book value						
End of year	654	5,971	11,701	4,939	2,601	25,866
Beginning of year	3,395	5,837	11,414	5,765	2,814	29,225

The depreciation charge for the year is included in general and administrative expenses in the consolidated income statement.

17 RIGHT-OF-USE ASSETS

In HK$ million	2020	**2021**
Land and buildings	3,264	**2,049**
Network capacity and equipment	338	**292**
Total	3,602	**2,341**

The Group obtains 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 11 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.

Additions to the right-of-use assets during the year ended December 31, 2021 were HK$1,363 million (2020: HK$1,756 million).

During the year ended December 31, 2021, total cash outflow for leases amounted to HK$2,004 million (2020: HK$2,098 million), which included cash outflow for short-term lease expenses amounted to HK$101 million (2020: HK$124 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 INVESTMENT PROPERTIES

In HK$ million	2020	**2021**
Beginning of year	3,680	**3,617**
Additions	12	**1**
Exchange differences	(75)	**7**
Deconsolidation of subsidiaries	–	**(3,625)**
End of year	3,617	**–**

There were no unrealized gains of the investment properties for the year ended December 31, 2021 (2020: nil) recognized in the consolidated income statement as fair value gains on investment properties.

As at December 31, 2020, value added tax receivables of HK$222 million and HK$21 million in relation to the land acquisition and construction of the investment property were included in other non-current assets and prepayments, deposits and other current assets in the consolidated statement of financial position respectively. During the year ended December 31, 2021, these value added tax receivables were deconsolidated upon the Deconsolidation of PCPD as disclosed in note 5.

19 INTERESTS IN LEASEHOLD LAND

In HK$ million	2020	**2021**
Cost		
Beginning of year	813	**813**
Deconsolidation of subsidiaries *(note 5)*	–	**(4)**
End of year	813	**809**
Accumulated amortization		
Beginning of year	445	**463**
Charge for the year	18	**18**
Deconsolidation of subsidiaries *(note 5)*	–	**(1)**
End of year	463	**480**
Net book value		
End of year	350	**329**
Beginning of year	368	**350**

20 PROPERTIES HELD FOR/UNDER DEVELOPMENT/HELD FOR SALE

In HK$ million	2020		
	Properties held for development *(note a)*	Properties under development/ held for sale *(note b)*	Total
Beginning of year	2,653	1,690	4,343
Additions	59	57	116
Charged to consolidated income statement	–	(1,158)	(1,158)
Exchange differences	–	13	13
	2,712	602	3,314
Less: classified as current assets	–	(279)	(279)
End of year	2,712	323	3,035

20 PROPERTIES HELD FOR/UNDER DEVELOPMENT/HELD FOR SALE *(CONTINUED)*

In HK$ million	2021 Properties held for development *(note a)*	Properties under development/ held for sale *(note b)*	Total
Beginning of year	**2,712**	**602**	**3,314**
Additions	**43**	**133**	**176**
Charged to consolidated income statement	**–**	**(41)**	**(41)**
Transfers	**(2,272)**	**2,272**	**–**
Deconsolidation of subsidiaries	**(437)**	**(2,910)**	**(3,347)**
Exchange differences	**(46)**	**(56)**	**(102)**
End of year	**–**	**–**	**–**

a. Properties held for development as at December 31, 2020 represented freehold land in Thailand and a property in Hong Kong, for which PCPD Group intended to hold for future development projects. During the year ended December 31, 2021, these properties were deconsolidated upon the Deconsolidation of PCPD as disclosed in note 5.

b. Properties under development classified as non-current assets as at December 31, 2020 represented the freehold land under development in Japan which was held by PCPD Group.

Properties under development/held for sale classified as current assets as at December 31, 2020 consisted of HK$135 million for the branded residences completed and held for sale in Hokkaido, Japan and HK$144 million for the first phase development project under construction in Thailand.

During the year ended December 31, 2021, these properties were deconsolidated upon the Deconsolidation of PCPD as disclosed in note 5.

21 GOODWILL

In HK$ million	2020	**2021**
Cost		
Beginning of year	18,498	**18,615**
Additions upon business combinations	162	**–**
Deconsolidation of subsidiaries *(note 5)*	(47)	**(213)**
Exchange differences	2	**–**
End of year	18,615	**18,402**
Accumulated impairment		
Beginning and end of year	154	**154**
Carrying amount		
End of year	18,461	**18,248**
Beginning of year	18,344	**18,461**

Impairment tests for CGUs containing goodwill

Goodwill was allocated to the Group's CGUs identified according to operating segments as follows:

In HK$ million	2020	**2021**
HKT		
Mobile	15,591	**15,591**
Global Business	810	**804**
Local telephony and data services	249	**249**
Pay-TV Business	162	**162**
	16,812	**16,806**
Media Business		
OTT Business	1,018	**1,023**
Solutions Business	538	**419**
PCPD	93	**–**
Total	18,461	**18,248**

(Amount expressed in Hong Kong dollars unless otherwise stated)

21 GOODWILL *(CONTINUED)*

Impairment tests for CGUs containing goodwill *(continued)*

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, except for the CGUs engaged in Pay-TV Business and OTT Business of which a period of 7 to 8 years is considered appropriate to take into account the business cycle and the significant growth plans for the business which is currently in the start-up and development stage. 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				**2021**			
	Average revenue growth rate	Average EBITDA growth rate	Terminal growth rate	Pre-tax discount rate	**Average revenue growth rate**	**Average EBITDA growth rate**	**Terminal growth rate**	**Pre-tax discount rate**
Mobile	3%	3%	2%	12%	**3%**	**2%**	**2%**	**12%**
Global Business	1%	3%	3%	13%	**2%**	**5%**	**3%**	**14%**
Local telephony and data services	1%	1%	1%	8%	**2%**	**2%**	**1%**	**8%**
Pay-TV Business	3%	4%	3%	14%	**3%**	**6%**	**3%**	**17%**
OTT Business	22%	97%	4%	18%	**20%**	**132%**	**4%**	**18%**
Solutions Business	5%	12%	3%	14%	**4%**	**8%**	**3%**	**14%**

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.

22 INTANGIBLE ASSETS

In HK$ million	2020						
	Trademarks	Capitalized programme costs	Carrier licences	Customer base	Software	Others	Total
Cost							
Beginning of year	2,918	3,193	4,872	3,201	8,826	71	23,081
Additions	1	1,245	546	–	2,520	13	4,325
Additions upon business combination	–	–	–	31	–	–	31
Write-off	–	(475)	(280)	(10)	(262)	–	(1,027)
Exchange differences	1	–	–	(3)	–	–	(2)
End of year	2,920	3,963	5,138	3,219	11,084	84	26,408
Accumulated amortization and impairment							
Beginning of year	1,869	2,044	1,612	2,478	1,704	43	9,750
Charge for the year	120	1,099	439	228	844	13	2,743
Write-off	–	(475)	(98)	(10)	(35)	–	(618)
Exchange differences	1	–	–	(2)	–	–	(1)
End of year	1,990	2,668	1,953	2,694	2,513	56	11,874
Net book value							
End of year	930	1,295	3,185	525	8,571	28	14,534
Beginning of year	1,049	1,149	3,260	723	7,122	28	13,331

22 INTANGIBLE ASSETS *(CONTINUED)*

In HK$ million	2021						
	Trademarks	Capitalized programme costs	Carrier licences	Customer base	Software	Others	Total
Cost							
Beginning of year	2,920	3,963	5,138	3,219	11,084	84	26,408
Additions	–	1,331	3,355	–	2,467	–	7,153
Write-off	–	(621)	(169)	(40)	–	(42)	(872)
Deconsolidation of subsidiaries *(note 5)*	–	–	–	(31)	(5)	–	(36)
Exchange differences	–	(12)	–	5	1	–	(6)
End of year	2,920	4,661	8,324	3,153	13,547	42	32,647
Accumulated amortization and impairment							
Beginning of year	1,990	2,668	1,953	2,694	2,513	56	11,874
Charge for the year	69	1,376	553	228	840	11	3,077
Write-off	–	(616)	(169)	(40)	–	(42)	(867)
Deconsolidation of subsidiaries *(note 5)*	–	–	–	–	(1)	–	(1)
Exchange differences	(1)	(9)	–	2	–	–	(8)
End of year	2,058	3,419	2,337	2,884	3,352	25	14,075
Net book value							
End of year	862	1,242	5,987	269	10,195	17	18,572
Beginning of year	930	1,295	3,185	525	8,571	28	14,534

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 2(p)(ii) and 21.

23 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	Principal activities	Amount of issued capital/ registered capital	Interest held by the Company Directly	Interest held by the Company Indirectly	Interest held by non-controlling interests
HKT Limited	Cayman Islands/ Hong Kong	Investment holding	HK$3,787,871.167 ordinary shares and HK$3,787,871.167 preference shares	–	52.0%	48.0%
HKT Group Holdings Limited[3] ("HKTGH")	Cayman Islands	Investment holding	US$636,000,025	–	52.0%	48.0%
Hong Kong Telecommunications (HKT) Limited[3] ("HKTL")	Hong Kong	Provision of telecommunications services	HK$9,945,156,001	–	52.0%	48.0%
電訊盈科科技（北京）有限公司[1, 3] (PCCW Technology (Beijing) Limited*)	The People's Republic of China (the "PRC")	System integration, software development and technical services consultancy	RMB40,000,000	–	52.0%	48.0%
HKT Services Limited[3]	Hong Kong	Provision of management services to group companies	HK$1	–	52.0%	48.0%
Esencia Investments Limited	British Virgin Islands	Investment holding	US$1	–	100%	–
Great Epoch Holdings Limited	British Virgin Islands	Investment holding	US$8	–	100%	–
PCCW-HKT Technical Services Limited	Hong Kong	Provision of technical support services, electronics and communications engineering, products and solutions	HK$700,002	–	100%	–
CSL Mobile Limited[3]	Hong Kong	Provision of mobile services to its customers and the sale of mobile handsets and accessories	HK$7,900,280,100 ordinary shares and HK$1,254,000,000 non-voting deferred shares	–	52.0%	48.0%

(Amount expressed in Hong Kong dollars unless otherwise stated)

23 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	Principal activities	Amount of issued capital/ registered capital	Interest held by the Company Directly	Interest held by the Company Indirectly	Interest held by non-controlling interests
PCCW Media Limited[3]	Hong Kong	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	HK$8,041,216,269 ordinary shares, HK$1 "A" Class share and HK$4 "B" Class shares	–	52.0%	48.0%
PCCW Content Limited[3]	Hong Kong	Distribution of media content	HK$1	–	52.0%	48.0%
PCCW OTT (Hong Kong) Limited[5]	Hong Kong	Provision of interactive multimedia services	HK$1	–	82.0%	18.0%
PCCW OTT (Singapore) Pte. Ltd.[5]	Singapore	Provide mobile video on demand and advertising services through OTT platform	S$48,870,913.67	–	82.0%	18.0%
PCCW OTT (Thailand) Company Limited[5]	Thailand	(a) Providing content related services in Thailand through digital platforms including online streaming and downloading for TV shows, movies, music and other types of contents to users; and (b) Providing lease of space in Thailand on digital platforms including websites, mobile applications and other internet-based platforms to customers	THB284,055,235	–	82.0%	18.0%
HK Television Entertainment Company Limited[4] ("HKTVE")	Hong Kong	Provision of broadcasting and related services	HK$50 "A" Class shares (non-voting), HK$100 "B" Class shares (voting) and HK$50 "C" Class shares (non-voting)	–	100%	–

23 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	Principal activities	Amount of issued capital/ registered capital	Interest held by the Company Directly	Interest held by the Company Indirectly	Interest held by non-controlling interests
Vuclip, Inc.[5]	California, U.S.	Management and engineering support services	US$1	–	82.0%	18.0%
HKT Teleservices International Limited[3]	Hong Kong	Provision of customer relationship management and customer contact management solutions and services	HK$350,000,002	–	52.0%	48.0%
盈環網絡技術(上海)有限公司[1,3] (HKT Teleservices (China) Limited*)	The PRC	Provision of contact center service in value-added telecommunications services and telecommunications solutions related services and consultancy	RMB14,000,000	–	52.0%	48.0%
廣州電盈綜合客戶服務技術發展有限公司[1,3] (PCCW Customer Management Technology and Services (Guangzhou) Limited*)	The PRC	Customer service and consultancy	HK$93,240,000	–	52.0%	48.0%
PCCW (Macau), Limitada[2,3]	Macau	Selling customer premises equipment and related solutions, conducting systems integration projects and providing outsourced contact center services	MOP2,000,000	–	39.0%	61.0%
PCCW Global B.V.[3]	Netherlands/France	Sales, distribution and marketing of telecommunications services and products	EUR18,000	–	52.0%	48.0%
PCCW Global (Japan) K.K.[3]	Japan	Provision of telecommunications services	JPY10,000,000	–	52.0%	48.0%
PCCW Global (HK) Limited[3]	Hong Kong	Provision of satellite-based and network-based telecommunications services	HK$10	–	52.0%	48.0%

(Amount expressed in Hong Kong dollars unless otherwise stated)

23 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	Principal activities	Amount of issued capital/ registered capital	Interest held by the Company Directly	Interest held by the Company Indirectly	Interest held by non-controlling interests
PCCW Global Limited[3]	Hong Kong/Dubai Media City	Provision of network-based telecommunications services	HK$240,016,690.65	–	52.0%	48.0%
PCCW Global, Inc.[3]	Delaware, U.S.	Supply of broadband internet access solutions and web services	US$18.01	–	52.0%	48.0%
HKT Global (Singapore) Pte. Ltd.[3]	Singapore/Malaysia	Provision of telecommunications solutions related services	S$260,960,522.64	–	52.0%	48.0%
Gateway Global Communications Limited[3]	United Kingdom	Provision of network-based telecommunications services to external customers and related companies	GBP2	–	52.0%	48.0%
Sun Mobile Limited[2, 3]	Hong Kong	Provision of mobile telecommunications services to customers in Hong Kong	HK$41,600,002	–	31.2%	68.8%
Club HKT Limited[3]	Hong Kong	Operating customer loyalty programme and online merchandise sales in Hong Kong	HK$1	–	52.0%	48.0%
電訊盈科(北京)有限公司[1] (PCCW (Beijing) Limited*)	The PRC	Software development, systems integration, consulting and informatization projects	US$10,250,000	–	100%	–
PCCW Business eSolutions Limited	Hong Kong	Provision of IP/IT related value-added services to business customers	HK$2	–	100%	–
PCCW Solutions Limited	Hong Kong	Provision of computer services and IP/IT related value-added services to business customers	HK$5,739,294,067.89	–	100%	–
電訊盈科信息技術(廣州)有限公司[1] (PCCW Solutions (Guangzhou) Limited*)	The PRC	Systems integration and technology consultancy	HK$35,300,000	–	100%	–

23 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	Principal activities	Amount of issued capital/ registered capital	Interest held by the Company Directly	Interest held by the Company Indirectly	Interest held by non-controlling interests
PCCW Solutions Insys Pte. Ltd.	Singapore	Computer facilities management and provision of other information technology and computer services	S$6,199,991 US$11,347,619	–	100%	–
PCCW Solutions Singapore Pte. Ltd.	Singapore	Provision of computer facilities management services, information technology consultancy and IT or intellectual property related value-added services to business customers	S$37,514,652	–	100%	–

* Unofficial company name

Certain subsidiaries which do not materially affect the results or financial position of the Group are not included in the above.

Notes:

1 Represents a wholly-foreign owned enterprise.

2 These companies are consolidated by the Group as the Group owns more than one half of the shareholders' voting rights and/or more than one half of the voting rights in the board of directors of these companies.

3 These companies are subsidiaries of HKT Trust and HKT, the Share Stapled Units of which are listed on the main board of the Stock Exchange, which prepares its consolidated financial statements for HKT Trust, HKT and its subsidiaries (collectively the "HKT Group") in accordance with Hong Kong Financial Reporting Standards.

4 Pursuant to the Hong Kong Companies Ordinance (Cap. 622), HKTVE is treated by PCCW as a subsidiary as defined therein.

5 These companies are subsidiaries of Viu International Limited ("Viu"), previously an indirect wholly-owned subsidiary of the Company. On September 25, 2017, Viu issued and allotted to three investors an aggregate of 11,000,000 series A convertible redeemable voting preference shares of a par value of US$1.00 each (the "OTT Preference Shares"), representing approximately 18% of its enlarged issued share capital. Refer to note 41(a) for details. PCCW consolidates the results of Viu and its subsidiaries on its 100% economic interest taking into account the OTT Preference Shares in accordance with Hong Kong Financial Reporting Standards.

23 INTERESTS IN SUBSIDIARIES *(CONTINUED)*

b. Summarized financial information of subsidiaries with material non-controlling interests

Set out below is the summarized consolidated financial information of the HKT Group and the PCPD Group which are subsidiaries that have non-controlling interests that are material to the Group.

Summarized statements of financial position are as follows:

In HK$ million	HKT Group 2020	HKT Group **2021**	PCPD Group 2020	PCPD Group **2021** ***(Note)***
Non-current assets	93,434	**98,477**	10,394	**n/a**
Current assets	9,737	**11,135**	2,599	**n/a**
Total assets	103,171	**109,612**	12,993	**n/a**
Current liabilities	(15,369)	**(16,203)**	(2,003)	**n/a**
Non-current liabilities	(49,902)	**(56,212)**	(7,643)	**n/a**
Net assets	37,900	**37,197**	3,347	**n/a**
Non-controlling interests	(62)	**(56)**	(133)	**n/a**
Net assets after non-controlling interests	37,838	**37,141**	3,214	**n/a**

Summarized financial information is as follows:

In HK$ million	HKT Group 2020	HKT Group **2021**	PCPD Group 2020	PCPD Group **2021** ***(Note)***
Revenue	32,389	**33,961**	1,843	**467**
Profit/(Loss) before income tax	6,174	**5,819**	(699)	**(783)**
Income tax	(855)	**(997)**	(50)	**(42)**
Profit/(Loss) for the year	5,319	**4,822**	(749)	**(825)**
Other comprehensive (loss)/income	(89)	**(87)**	72	**(342)**
Total comprehensive income/(loss)	5,230	**4,735**	(677)	**(1,167)**
Non-controlling interests	(14)	**(14)**	–	**–**
Total comprehensive income/(loss) after non-controlling interests	5,216	**4,721**	(677)	**(1,167)**
Dividends paid to non-controlling interests	2,578	**2,627**	–	**–**

23 INTERESTS IN SUBSIDIARIES *(CONTINUED)*

b. Summarized financial information of subsidiaries with material non-controlling interests *(continued)*

Summarized cash flows are as follows:

In HK$ million	HKT Group		PCPD Group	
	2020	**2021**	2020	**2021** *(Note)*
Cash flows from operating activities				
Cash generated from/(used in) operations	11,034	**10,598**	684	**(339)**
Interest received	22	**16**	10	**5**
Income tax (paid)/refund, net of tax refund	(516)	**27**	(48)	**(58)**
Net cash generated from/(used in) operating activities	10,540	**10,641**	646	**(392)**
Net cash used in investing activities	(6,619)	**(5,409)**	(211)	**(2,203)**
Net cash (used in)/generated from financing activities	(4,279)	**(4,916)**	(623)	**2,943**
Net (decrease)/increase in cash and cash equivalents	(358)	**316**	(188)	**348**
Exchange differences	33	**3**	12	**(34)**
Cash and cash equivalents as at January 1,	2,417	**2,092**	1,378	**1,202**
Cash and cash equivalents as at December 31,	2,092	**2,411**	1,202	**1,516**

The information above represents amounts before inter-company eliminations and group consolidation adjustments.

The total comprehensive income after group consolidation adjustments of the HKT Group for the year ended December 31, 2021 was HK$4,556 million (2020: HK$3,839 million), of which HK$2,201 million (2020: HK$1,857 million) was allocated to the non-controlling interests.

The total comprehensive loss after group consolidation adjustments of the PCPD Group for the year ended December 31, 2021 was HK$1,167 million (note) (2020: HK$677 million), of which a loss of HK$765 million (note) (2020: HK$82 million) was allocated to the non-controlling interests.

The net assets after non-controlling interests and group consolidation adjustments of the HKT Group as at December 31, 2021 was HK$2,174 million (2020: HK$3,027 million) and the non-controlling interests of the Group included HK$1,100 million (2020: HK$1,515 million) attributable to the HKT Group.

As at December 31, 2020, the non-controlling interests included HK$2,083 million attributable to the PCPD Group.

Note: As disclosed in note 5, on December 29, 2021, PCPD ceased to be a subsidiary of the Company. As such, none of the non-controlling interests in the consolidated statement of financial position of the Group as at December 31, 2021 were attributable to PCPD. The financial information and cash flows of PCPD presented are for the financial period from January 1, 2021 to the date of completion of the Deconsolidation of PCPD.

24 INTERESTS IN ASSOCIATES

In HK$ million	2020	**2021**
Share of net assets of associates	1,470	**2,217**
Loan due from an associate	8	**7**
	1,478	**2,224**
Provision for impairment	(134)	**(129)**
	1,344	**2,095**

During the year ended December 31, 2021, PCPD became an associate of the Group, as disclosed in note 5.

During the year ended December 31, 2021, the Group has made investments in associates of HK$311 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 Group made investment in an associate engaged in business in the provision of virtual banking services of HK$117 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 an indirect non-wholly owned subsidiary of the Company and is consolidated by the Group, details of which are set out in note 48(b).

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.

24 INTERESTS IN ASSOCIATES *(CONTINUED)*

a. Particulars of the principal associates of the Group as at December 31, 2021 are as follows:

Company name	Principal place of business/ place of incorporation	Principal activities	Amount of issued capital/ registered capital	Interest held by the Company Directly	Indirectly	Measurement method
Pacific Century Premium Developments Limited	Hong Kong/Bermuda	Development and management of premium-grade property and infrastructure projects and premium-grade property investments	HK$1,019,118,371.60	–	30.1%	Equity
石化盈科信息技術有限責任公司 (Petro-CyberWorks Information Technology Company Limited*) ("PCITC")	The PRC	Design and development of enterprise resource planning systems, and customer relationship management systems	RMB500,000,000	–	45.0%	Equity

* Unofficial company name

PCPD's shares are listed on the main board of the Stock Exchange. As at December 31, 2021, the fair value of the Group's interests in PCPD amounted to HK$368 million based on the closing price of PCPD's shares quoted at the Stock Exchange.

PCITC is a private company and there is no quoted market price available for its shares. It is a strategic investment for the Group's growth in its Solutions Business.

b. Contingent liabilities in respect of associates

The Group's contingent liabilities relating to the Group's interests in associates are disclosed in note 46. As at December 31, 2021, the Group's effective share of the contingent liabilities of an associate relating to performance guarantees was HK$29 million (2020: HK$25 million).

24 INTERESTS IN ASSOCIATES *(CONTINUED)*

c. Summarized unaudited financial information of the Group's associates

Set out below is the summarized unaudited financial information of the principal associates of the Group and being accounted for using the equity method.

Summarized unaudited financial information is as follows:

In HK$ million	PCITC		PCPD Group *(Note)*	
	As at December 31,		As at December 31,	
	2020	**2021**	2020	**2021**
Non-current assets	580	**590**	n/a	**10,192**
Current assets	4,177	**3,118**	n/a	**4,854**
Current liabilities	(2,444)	**(2,257)**	n/a	**(3,363)**
Non-current liabilities	(112)	**(117)**	n/a	**(9,139)**

In HK$ million	PCITC	
	For the year ended December 31,	
	2020	**2021**
Revenue	3,113	**3,696**
Profit after income tax and total comprehensive income	238	**282**
Dividends received from the associate	10	**550**

Note: As disclosed in note 5, the Group applied equity method to account for its investment in PCPD Group with effect from December 29, 2021, as such, no balance is presented as at December 31, 2020.

The information above reflects the amounts presented in the financial statements of the associate (not the Group's share of those amounts) and adjusted for differences in accounting policies between the Group and the associate, if any.

For the year ended December 31, 2021, the aggregate net amounts of the Group's 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$185 million (2020: HK$113 million), nil (2020: nil) and HK$185 million (2020: HK$113 million), respectively.

24 INTERESTS IN ASSOCIATES *(CONTINUED)*

d. Reconciliation of summarized unaudited financial information of the Group's associates

Reconciliation of the summarized unaudited financial information presented to the carrying amount of the Group's interest in the principal associates.

In HK$ million	PCITC 2020	PCITC 2021
Net assets		
Beginning of year	1,853	**2,201**
Profit and total comprehensive income for the year	238	**282**
Exchange differences	131	**73**
Dividends	(21)	**(1,222)**
End of year	2,201	**1,334**
Interest in an associate	45%	**45%**
Carrying amount	990	**600**

In HK$ million	PCPD 2021
Fair value of PCPD upon Deconsolidation of PCPD	**1,224**
Excess of net fair value of PCPD's identifiable assets and liabilities over the fair value of PCPD *(note)*	**2,153**
Fair value of PCPD's identifiable assets and liabilities	**3,377**
Interest in an associate	**30%**
Carrying amount	**1,016**

Note: The amount of excess of PCCW's share of the net fair value of PCPD's identifiable assets and liabilities over the fair value of the PCCW's retained interests in PCPD upon the Deconsolidation of PCPD of HK$648 million was included in the share of results of associates in the consolidated income statement of the Group for the year ended December 31, 2021.

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$479 million (2020: HK$354 million).

During the year ended December 31, 2021, the Group 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 the associates unrecognized by the Group (2020: nil).

25 INTERESTS IN JOINT VENTURES

In HK$ million	2020	**2021**
Share of net assets of joint ventures	2,904	**2,937**
Loan due from a joint venture	296	**242**
Amounts due from joint ventures	25	**1**
	3,225	**3,180**
Provision for impairment	(2,785)	**(2,783)**
	440	**397**

As at December 31, 2021, the amounts due from joint ventures are unsecured and non-interest bearing, and have no fixed terms of repayment, and 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). These balances with joint ventures are considered as part of the interests in joint ventures.

a. Particulars of the principal joint venture of the Group 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: Directly	Interest held by the Company: Indirectly	Measurement method
Genius Brand Limited ("GBL")	Hong Kong	Provision of mobile telecommunications services in Hong Kong	HK$10,000	–	26.0%	Equity

GBL is a strategic partnership of the Group, 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.

25 INTERESTS IN JOINT VENTURES *(CONTINUED)*

b. Commitments and contingent liabilities in respect of joint ventures

As at December 31, 2021, the Group's commitments in respect of joint ventures are as follows:

In HK$ million	2020	**2021**
The Group's commitments to provide funding	29	**46**

In HK$ million	2020	**2021**
The Group's share of its joint ventures' capital commitments authorized and contracted for acquisition of property, plant and equipment, based on the Group's effective interest	3	**14**
The Group's share of its joint ventures' other commitments, based on the Group's effective interest	12	**3**

There were no contingent liabilities relating to the Group's interests in the joint ventures. As at December 31, 2021, the Group had no effective share of contingent liabilities relating to its joint ventures (2020: nil).

c. Summarized unaudited financial information of the Group's joint ventures

Set out below is the summarized unaudited financial information of GBL, the principal joint venture of the Group and being accounted for using the equity method.

In HK$ million	GBL 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)**

25 INTERESTS IN JOINT VENTURES *(CONTINUED)*

c. Summarized unaudited financial information of the Group's joint ventures *(continued)*

Set out below is the summarized unaudited financial information of GBL, the principal joint venture of the Group and being accounted for using the equity method. *(continued)*

In HK$ million	GBL 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 Group's share of those amounts) and adjusted for differences in accounting policies between the Group and the joint venture, if any.

For the year ended December 31, 2021, the aggregate net amounts of the Group's share of loss after income tax, other comprehensive income and total comprehensive loss of the individually immaterial joint ventures that are accounted for using the equity method were HK$13 million (2020: HK$14 million), HK$1 million (2020: HK$3 million) and HK$12 million (2020: HK$11 million), respectively.

d. Reconciliation of summarized unaudited financial information of the Group's joint ventures

Reconciliation of the summarized unaudited financial information presented to the carrying amount of the Group's interest in GBL, the principal joint venture.

In HK$ million	GBL 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%***
	(47)	**(52)**
Loan due from a joint venture	296	**242**
Carrying amount	249	**190**

* The Group held approximately 26.0% (2020: 26.0%) effective interest through its non-wholly owned subsidiary in the equity of GBL as at December 31, 2021.

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$207 million (2020: HK$191 million).

During the year ended December 31, 2021, the Group did not have any unrecognized share of losses of joint ventures (2020: nil). As at December 31, 2021, the Group had unrecognized accumulated share of losses of the joint ventures of HK$1 million (2020: HK$1 million).

26 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In HK$ million	2020	**2021**
Non-current assets – Unlisted securities		
Beginning and end of year	124	**124**

As at December 31, 2021, financial assets at FVOCI comprised unlisted equity investments which are held for strategic purposes (2020: same).

27 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In HK$ million	2020	**2021**
Beginning of year	817	**757**
Additions	70	**1,301**
Disposals	(14)	**(247)**
Fair value losses recognized in other losses, net	(116)	**(80)**
End of year	757	**1,731**

In HK$ million	2020	**2021**
Non-current assets		
Listed securities	104	**61**
Unlisted securities	653	**1,670**
	757	**1,731**

Financial assets at FVPL mainly comprise:

– debt instruments that do not qualify for measurement either at amortized cost or at FVOCI; and

– equity investments for which the Group has not elected to recognize fair value gains and losses through other comprehensive income.

28 OTHER FINANCIAL ASSETS

In HK$ million	2020	**2021**
Non-current assets – Listed securities		
Beginning of year	–	**–**
Additions	–	**561**
Recognition of other financial assets upon Deconsolidation of PCPD *(note 31(j))*	–	**780**
End of year	–	**1,341**

Other financial assets mainly comprise listed debt instruments, are carried at amortized cost.

29 OTHER NON-CURRENT ASSETS

In HK$ million	2020	**2021**
Prepayments	1,018	**796**
Deposits	265	**126**
Others	11	**11**
	1,294	**933**

30 CURRENT ASSETS AND LIABILITIES

a. Sales proceeds held in stakeholders' accounts

As at December 31, 2020, the balance represented proceeds from the sales of properties of the PCPD Group's property development project that were retained in bank accounts opened and maintained by stakeholders. The amount was related to the residential portion of the Cyberport project and would be transferred to specific bank accounts, which were restricted in use, pursuant to certain conditions and procedures as stated in the Cyberport Project Agreement. During the year ended December 31, 2021, the balance was deconsolidated upon the Deconsolidation of PCPD as disclosed in note 5.

b. Restricted cash

As at December 31, 2020, restricted cash mainly included a balance of HK$102 million held in specific bank accounts, the uses of which are specified in the Cyberport Project Agreement; a balance of HK$11 million held in specific reserve accounts pledged for certain bank borrowings purpose; and a cash balance of HK$107 million which has been received from and restricted for the use of certain customers.

As at December 31, 2021, restricted cash mainly included a cash balance of HK$187 million which has been received from and restricted for the use of certain customers.

c. Prepayments, deposits and other current assets

In HK$ million	2020	**2021**
Prepayments	1,082	**1,104**
Deposits	583	**440**
Other current assets	1,735	**1,593**
	3,400	**3,137**

As at December 31, 2021, included in prepayments were prepaid programme costs of HK$230 million (2020: HK$234 million).

d. Inventories

In HK$ million	2020	**2021**
Purchased parts and materials	718	**946**
Finished goods	310	**454**
Consumable inventories	53	**44**
	1,081	**1,444**

30 CURRENT ASSETS AND LIABILITIES *(CONTINUED)*

e. Trade receivables, net

In HK$ million	2020	**2021**
Trade receivables *(note i)*	4,993	**6,169**
Less: loss allowance *(note ii)*	(366)	**(408)**
Trade receivables, net	4,627	**5,761**

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 Group's impairment policies are provided in note 2(p)(i).

As at December 31, 2021, included in trade receivables, net were amounts due from related parties of HK$43 million (2020: HK$39 million).

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

In HK$ million	2020	**2021**
1 – 30 days	3,034	**3,831**
31 – 60 days	593	**679**
61 – 90 days	318	**284**
91 – 120 days	153	**288**
Over 120 days	895	**1,087**
	4,993	**6,169**

ii. Impairment for trade receivables

The Group applies 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%	**4%**
Over 120 days past due	55%	**41%**

The movements in the loss allowance during the year were as follows:

In HK$ million	2020	**2021**
Beginning of year	284	**366**
Net impairment loss recognized	389	**262**
Uncollectible amounts written off	(307)	**(220)**
End of year	366	**408**

30 CURRENT ASSETS AND LIABILITIES *(CONTINUED)*

f. Short-term borrowings

In HK$ million	2020	**2021**
US$300 million 5.75% guaranteed notes due 2022 *(note i)*	–	**2,358**
Bank borrowings	2,370	**61**
	2,370	**2,419**
Secured	818	**–**
Unsecured	1,552	**2,419**

i. US$300 million 5.75% guaranteed notes due 2022

On April 17, 2012, PCCW Capital No. 4 Limited, a direct wholly-owned subsidiary of the Company, issued US$300 million 5.75% guaranteed notes due 2022, which are listed on the Singapore Exchange Securities Trading Limited. The notes are irrevocably and unconditionally guaranteed by the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of the Company.

Refer to note 47 for details of the Group's banking facilities.

g. 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	1,936	**2,544**
31 – 60 days	937	**807**
61 – 90 days	557	**890**
91 – 120 days	271	**561**
Over 120 days	717	**968**
	4,418	**5,770**

As at December 31, 2021, included in trade payables were amounts due to related parties of HK$37 million (2020: HK$36 million).

h. Assets classified as held for sale

On December 24, 2020, PCCW Solutions Data Centers Malaysia Sdn. Bhd. ("Data Centers Malaysia"), the then indirect wholly-owned subsidiary of PCCW entered into the sale and purchase agreement with FWD TIM Enterprises Sdn. Bhd. (the "Purchaser"), pursuant to which Data Centers Malaysia agreed to sell, and the Purchaser agreed to purchase, a property located in Malaysia (the "Malaysia Property") for a consideration of RM70 million (equivalent to approximately HK$132 million). As at December 31, 2020, the completion of the transaction was subject to the satisfaction of conditions precedent as set out in the sale and purchase agreement. Accordingly, the Malaysia Property was presented as held for sale in the Group's consolidated statement of financial position as at December 31, 2020.

During the year ended December 31, 2021, the conditions precedent were satisfied and the sale transaction was completed.

31 LONG-TERM BORROWINGS

In HK$ million	2020	**2021**
Repayable within a period		
– over one year, but not exceeding two years	10,147	**9,592**
– over two years, but not exceeding five years	29,573	**26,111**
– over five years	14,599	**8,701**
	54,319	**44,404**
Representing:		
US$300 million 5.75% guaranteed notes due 2022 *(note a)*	2,376	**–**
US$500 million 3.75% guaranteed notes due 2023 *(note b)*	3,824	**3,870**
US$300 million zero coupon guaranteed notes due 2030 *(note c)*	2,314	**2,329**
US$500 million 3.625% guaranteed notes due 2025 *(note d)*	3,850	**3,874**
EUR200 million 1.65% guaranteed notes due 2027 *(note e)*	1,878	**1,752**
US$100 million zero coupon guaranteed notes due 2030 *(note f)*	771	**776**
US$750 million 3.00% guaranteed notes due 2026 *(note g)*	5,789	**5,828**
US$630 million 4.75% guaranteed notes due 2022 *(note h)*	4,870	**–**
US$500 million 3.25% guaranteed notes due 2029 *(note i)*	3,815	**3,844**
US$700 million 5.125% guaranteed notes due 2026 *(note j)*	–	**–**
Bank borrowings *(note k)*	24,832	**22,131**
	54,319	**44,404**
Secured	1,975	**–**
Unsecured	52,344	**44,404**

a. US$300 million 5.75% guaranteed notes due 2022

The notes were classified as short-term borrowings during the year ended December 31, 2021. Please refer to note 30(f)(i) for more details.

b. US$500 million 3.75% guaranteed notes due 2023

On March 8, 2013, PCCW-HKT Capital No.5 Limited, an indirect non-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.

c. US$300 million zero coupon guaranteed notes due 2030

On January 15, 2015, HKT Capital No. 1 Limited, an indirect non-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.

d. US$500 million 3.625% guaranteed notes due 2025

On April 2, 2015, HKT Capital No. 2 Limited, an indirect non-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.

31 LONG-TERM BORROWINGS *(CONTINUED)*

e. EUR200 million 1.65% guaranteed notes due 2027

On April 10, 2015, HKT Capital No. 3 Limited, an indirect non-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.

f. US$100 million zero coupon guaranteed notes due 2030

On May 20, 2015, PCCW Capital No. 5 Limited, a direct wholly-owned subsidiary of the Company, issued US$100 million zero coupon guaranteed notes due 2030, which are listed on the Taipei Exchange. The notes are irrevocably and unconditionally guaranteed by the Company and rank pari passu with all other outstanding unsecured and unsubordinated obligations of the Company.

g. US$750 million 3.00% guaranteed notes due 2026

On July 14, 2016, HKT Capital No. 4 Limited, an indirect non-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.

h. US$630 million 4.75% guaranteed notes due 2022

On March 9, 2017 and October 3, 2019, PCPD Capital Limited ("PCPD Capital"), the then indirect non-wholly owned subsidiary of the Company, issued 4.75% guaranteed notes due 2022 of US$570 million and US$130 million respectively (together the "Existing Notes"). On March 8, 2019, Asian Motion Limited ("Asian Motion"), a direct wholly-owned subsidiary of the Company, purchased US$70 million of the Existing Notes. The Existing Notes are listed on the Singapore Exchange Securities Trading Limited, and are irrevocably and unconditionally guaranteed by PCPD and rank pari passu with all other outstanding unsecured and unsubordinated obligations of PCPD Capital and PCPD.

On June 7, 2021, PCPD Group launched a tender offer to purchase for cash the Existing Notes. On June 18, 2021, PCPD Group completed the settlement of the tender offer and cancelled US$384 million in aggregate principal amount of the Existing Notes, which included a principal amount of US$70 million tendered by Asian Motion. Immediately after the completion of the tender offer, the Existing Notes had US$316 million in aggregate principal amount outstanding. PCPD further repurchased and cancelled US$9 million of the Existing Notes thereby reducing the outstanding notes to US$307 million. During the year ended December 31, 2021, the outstanding notes were deconsolidated upon the Deconsolidation of PCPD as disclosed in note 5.

i. US$500 million 3.25% guaranteed notes due 2029

On September 30, 2019, HKT Capital No. 5 Limited, an indirect non-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.

j. US$700 million 5.125% guaranteed notes due 2026

On June 18, 2021, PCPD Capital issued 5.125% guaranteed notes due 2026 in aggregate principal amount of US$800 million, of which Asian Motion subscribed for a principal amount of US$100 million. Listed on the Singapore Exchange Securities Trading Limited, the notes are irrevocably and unconditionally guaranteed by PCPD and rank pari passu among themselves and with all other present and future unsecured and unsubordinated obligations of PCPD Capital and PCPD.

During the year ended December 31, 2021, upon the Deconsolidation of PCPD as disclosed in note 5, the notes in issue were deconsolidated and the notes of principal amount of US$100 million subscribed by Asian Motion were recognized as other financial assets in the consolidated statement of financial position.

k. Refer to note 47 for details of the Group's banking facilities.

32 AMOUNT PAYABLE TO THE GOVERNMENT UNDER THE CYBERPORT PROJECT AGREEMENT

Pursuant to the agreement dated May 17, 2000 entered into by the PCPD Group with the Government (the "Cyberport Project Agreement"), the Government shall be entitled to receive payments of approximately 65% from the surplus cash flow arising from the sales of the residential portion of the Cyberport project, net of certain allowable costs incurred on the project, as stipulated under certain terms and conditions of the Cyberport Project Agreement. The amount payable to the Government is based on the surplus from sales proceeds of the residential portion after the development costs of the Cyberport project. As at December 31, 2020, the amount attributable to the Government share under the Cyberport Project Agreement was HK$330 million. During the year ended December 31, 2021, the amount payable was deconsolidated upon the Deconsolidation of PCPD as disclosed in note 5.

33 DERIVATIVE FINANCIAL INSTRUMENTS

In HK$ million	2020	**2021**
Non-current assets		
Cross currency swap contracts and foreign exchange forward contracts		
– cash flow hedges for foreign currency risk *(note a)*	218	**131**
Cross currency swap contracts – fair value hedges for interest rate risk and		
foreign currency risk *(note c)*	25	**–**
Foreign exchange forward contracts	–	**15**
	243	**146**
Current assets		
Cross currency swap contracts – fair value hedges for interest rate risk and		
foreign currency risk *(note c)*	–	**20**
Cross currency swap contracts – cash flow hedges for foreign currency risk *(note a)*	–	**5**
	–	**25**
Current liabilities		
Interest rate swap contracts – cash flow hedges for interest rate risk *(note b)*	(23)	**–**
Foreign exchange forward contracts	(6)	**–**
	(29)	**–**
Non-current liabilities		
Cross currency swap contracts and foreign exchange forward contracts		
– cash flow hedges for foreign currency risk *(note a)*	(37)	**(31)**
Interest rate swap contract – cash flow hedge for interest rate risk *(note b)*	(91)	**(97)**
OTT Preference Shares Derivative (as defined in note 41(a)) *(note d)*	(9)	**–**
	(137)	**(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 Group's 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.

(Amount expressed in Hong Kong dollars unless otherwise stated)

33 DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

a. Cash flow hedges for foreign currency risk

For certain borrowings denominated in foreign currencies, the Group has entered into cross currency swap contracts and foreign exchange forward contracts to hedge the foreign currency risk. The Group 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 Group's financial position and performance are as follows:

	2020	**2021**
Net carrying amount (assets)	HK$181 million	**HK$105 million**
Notional amount	EUR200 million and US$2,520 million	**EUR200 million and US$3,020 million**
Maturity date	April 2022 to September 2029	**April 2022 to September 2029**
Hedge ratio	1:1*	**1:1***
Change# in fair value of the hedging instruments during the year	(HK$212 million)	**(HK$18 million)**
Change# in value of the hedged items during the year	HK$214 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 Group has entered into floating-to-fixed interest rate swap contracts. The Group 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 Group's financial position and performance are as follows:

	2020	**2021**
Net carrying amount (liabilities)	(HK$114 million)	**(HK$97 million)**
Notional amount	HK$5,226 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$102 million)	**HK$23 million**
Change# in value of the hedged items during the year	HK$98 million	**(HK$23 million)**
Weighted average receive leg/pay leg interest ratio	0.63	**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.

33 DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Fair value hedges for interest rate risk and foreign currency risk

For certain fixed rate borrowings denominated in foreign currencies, the Group has entered into fixed-to-floating cross currency swap contracts to hedge the fair value interest rate risk. The Group performed qualitative assessment of hedge effectiveness. As the cross currency swap contracts have similar critical terms as the hedged item, such as notional amount, maturity dates and payment dates, the economic relationship exists between the hedged item and the hedging instruments.

The effects of the interest rate and foreign currency related hedging instruments outstanding at the end of the reporting period on the Group's financial position and performance are as follows:

	2020	**2021**
Carrying amount (assets)	HK$25 million	**HK$20 million**
Notional amount	US$300 million	**US$300 million**
Maturity date	April 2022	**April 2022**
Hedge ratio	1:1*	**1:1***
Change# in fair value of the hedging instruments during the year	HK$38 million	**(HK$17 million)**
Change# in value of the hedged item during the year	(HK$34 million)	**HK$23 million**
Receive leg/pay leg interest ratio	1.07	**1.20**

* The hedge ratio is 1:1 as the notional amount and timing of the hedging instruments match with that of the hedged item.

Positive change refers to increase in net assets, whereas negative change refers to decrease in net assets.

As at December 31, 2021, included in the long-term borrowings were carrying amount of the hedged item of the fair value hedges of HK$2,358 million (2020: HK$2,376 million). As at December 31, 2021, the accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item was negative HK$30 million (2020: negative HK$15 million).

d. Other derivatives

OTT Preference Shares Derivative (as defined in note 41(a)) are measured at fair value with fair value gain of HK$9 million (2020: HK$5 million) recognized in the other losses, net in the consolidated income statement for the year ended December 31, 2021.

Details of the OTT Preference Shares are described in note 41(a).

33 DERIVATIVE FINANCIAL INSTRUMENTS *(CONTINUED)*

e. Hedging reserve and costs of hedging reserve

The Group's 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	301	24	325
Cash flow hedges:			
– effective portion of changes in fair value	(87)	(56)	(143)
– transfer from equity to consolidated income statement	(48)	2	(46)
As at December 31, 2020 and January 1, 2021	**166**	**(30)**	**136**
Cash flow hedges:			
– effective portion of changes in fair value	**(22)**	**21**	**(1)**
– transfer from equity to consolidated income statement	**(4)**	**2**	**(2)**
As at December 31, 2021	**140**	**(7)**	**133**

In HK$ million	Cash flow hedges for foreign currency risk	Fair value hedges for interest rate risk and foreign currency risk	Total
Costs of hedging reserve			
As at January 1, 2020	(83)	(19)	(102)
Cash flow hedges:			
– transfer from equity to consolidated income statement	4	–	4
Costs of hedging	94	5	99
As at December 31, 2020 and January 1, 2021	**15**	**(14)**	**1**
Cash flow hedges:			
– transfer from equity to consolidated income statement	**6**	**–**	**6**
Costs of hedging	**(28)**	**12**	**(16)**
As at December 31, 2021	**(7)**	**(2)**	**(9)**

34 SHARE CAPITAL

	Year ended December 31, 2020		2021	
	Number of PCCW Shares	Share capital HK$ million	**Number of PCCW Shares**	**Share capital HK$ million**
Ordinary shares of no par value, issued and fully paid:				
As at January 1,	7,719,638,249	12,954	**7,729,638,249**	**12,954**
PCCW Shares issued *(note a)*	10,000,000	–	**–**	**–**
As at December 31,	7,729,638,249	12,954	**7,729,638,249**	**12,954**

a. During the year ended December 31, 2020, the Company issued and allotted 10,000,000 new fully paid PCCW Shares for an aggregate consideration of HK$100,000 (HK$0.01 per PCCW Share) under general mandate for grant of awards pursuant to the PCCW Subscription Scheme.

35 PERPETUAL CAPITAL SECURITIES

On January 12, 2021, CAS Capital No. 1 Limited, an indirect wholly-owned subsidiary of the Company, issued US$750 million perpetual subordinated guaranteed securities. The securities are non-callable in the first 5.5 years and entitle its holders distributions at a distribution rate of 4.00% per annum with reset every 5 years from year 5.5 and fixed step-up margins at year 10.5 and year 25.5. CAS Capital No. 1 Limited has the right to redeem the securities from holders and defer the payment of distributions under certain circumstances in accordance with the terms and conditions of the securities. The securities are listed on the Singapore Exchange Securities Trading Limited and are irrevocably and unconditionally guaranteed by CAS Holding No. 1 Limited, a direct wholly-owned subsidiary of the Company.

The perpetual capital securities are classified as equity.

36 EMPLOYEE RETIREMENT BENEFITS

a. Defined benefit retirement schemes

The Group operates defined benefit retirement schemes ("DB Schemes") that provide monthly pension payments for employees retired on or before July 1, 2003. The DB Schemes are final salary defined benefit schemes. The scheme assets are administered by an independent trustee and maintained independently of the Group's finances.

The DB Schemes are funded by contributions from the Group and employees in accordance with qualified independent actuaries' recommendations from time to time on the basis of periodic valuations.

According to the funding valuation as at December 31, 2020, the expected employer contributions for the year ending December 31, 2022 are HK$13 million.

The independent actuarial valuation of the DB Schemes as at December 31, 2021, prepared in accordance with HKAS 19 (2011), was carried out by Ms. Wing Lui of Willis Towers Watson, a fellow of the Society of Actuaries of the United States of America, using the projected unit credit method. The actuary was of the opinion that the fair value of the scheme assets was sufficient to cover 65% (2020: 60%) of the present value of the defined benefit retirement schemes obligations as at December 31, 2021.

As at December 31, 2021, the weighted average duration of the defined benefit retirement schemes obligations was 11.2 years (2020: 11.3 years).

36 EMPLOYEE RETIREMENT BENEFITS *(CONTINUED)*

a. Defined benefit retirement schemes *(continued)*

i. The amount recognized in the consolidated statement of financial position is as follows:

In HK$ million	2020	**2021**
Present value of the defined benefit retirement schemes obligations *(note iii)*	319	**295**
Fair value of scheme assets *(note iv)*	(190)	**(192)**
Defined benefit retirement schemes liability	129	**103**

In HK$ million	2020	**2021**
Beginning of year	120	**129**
Net costs recognized in consolidated income statement	2	**1**
Remeasurements recognized in consolidated statement of comprehensive income	15	**(18)**
Contributions from employers	(8)	**(9)**
End of year	129	**103**

ii. Major categories of scheme assets as a percentage of total scheme assets are as follows:

	2020	**2021**
Equities	72%	**73%**
Fixed income securities	21%	**20%**
Cash and alternatives	7%	**7%**
Total	100%	**100%**

The Group ensures that the investment positions are managed within an asset-liability matching framework with the objective to match assets to the defined benefit retirement schemes obligations (i.e. to match the benefit payments as they fall due and in the appropriate currency). The Group has not changed the process used to manage its risk from previous periods.

36 EMPLOYEE RETIREMENT BENEFITS *(CONTINUED)*

a. Defined benefit retirement schemes *(continued)*

ii. Major categories of scheme assets as a percentage of total scheme assets are as follows: *(continued)*

Through the DB Schemes, the Group is exposed to a number of risks, the most significant of which are detailed below:

– Investment risk: strong investment returns tend to increase the fair value of scheme assets and therefore improve the scheme's financial position as measured by the net defined benefit retirement schemes liability/asset, whilst poor or negative investment returns tend to weaken the financial position.

  The scheme assets are invested in a globally diversified portfolio of equities, fixed income securities, cash and alternatives, covering major geographical locations around the world to achieve the best returns over the long term within an acceptable level of risk. The diversification of asset classes and geographical locations helps to reduce the concentration of risk associated with the scheme investments.

– Interest rate risk: the defined benefit retirement schemes obligations are calculated using a discount rate based on market bond yields. A decrease in the bond yields will increase the defined benefit retirement schemes obligations and vice versa.

– Inflation risk: pension in payment or in deferment may be increased once a year to reflect all or part of the cost-of-living increases in Hong Kong. The higher-than-expected increases in pensions will increase the defined benefit retirement schemes obligations and vice versa.

– Longevity risk: the defined benefit retirement schemes obligations are calculated by reference to the best estimate of the mortality of members after their employment. A decrease in mortality (i.e. improvement in life expectancy) will increase the defined benefit retirement schemes obligations.

iii. Movements in the present value of the defined benefit retirement schemes obligations are as follows:

In HK$ million	2020	**2021**
Beginning of year	288	**319**
Interest cost	5	**3**
Remeasurements		
Experience losses	4	**5**
Loss/(Gain) from change in financial and/or demographic assumptions	38	**(15)**
Benefits paid	(16)	**(17)**
End of year	319	**295**

iv. Movements in the fair value of scheme assets are as follows:

In HK$ million	2020	**2021**
Beginning of year	168	**190**
Contribution from employers	8	**9**
Interest income on scheme assets	3	**2**
Return on scheme assets greater than discount rate	27	**8**
Benefits paid	(16)	**(17)**
End of year	190	**192**

36 EMPLOYEE RETIREMENT BENEFITS *(CONTINUED)*

a. Defined benefit retirement schemes *(continued)*

v. Pension cost for defined benefit retirement schemes recognized in the consolidated income statement is as follows:

In HK$ million	2020	**2021**
Net interest cost on net defined benefit retirement schemes liability	2	**1**
Total included in general and administrative expenses – staff costs	2	**1**

vi. The significant actuarial assumptions used (expressed as weighted averages) are as follows:

	2020	**2021**
Discount rate	1.00%	**1.60%**
Pension increase rate	3.00%	**3.00%**

Based on the Hong Kong Life Tables released by the Government and upon observing the past experience of the DB Schemes, the Group adopted the Hong Kong Life Tables 2019 with a 3-year age set forward for the year ended December 31, 2020 and the Hong Kong Life Tables 2020 with a 3-year age set forward for the year ended December 31, 2021.

The sensitivity of the defined benefit retirement schemes obligations to changes in the weighted principal assumptions are:

		Impact on defined benefit retirement schemes obligations			
		2020		**2021**	
	Change in assumption	Increase in assumption	Decrease in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.25%**	(3.00%)	3.20%	**(2.80%)**	**2.90%**
Pension increase rate	**0.25%**	3.00%	n/a*	**2.80%**	**n/a***
Mortality	**1 year**	(5.50%)**	5.60%**	**(5.30%)****	**5.40%****

* Certain pension payments of the DB Schemes are subject to a minimum pension increase rate of 3.00% per annum taking into account inflation and other market factors.

** Increase in assumption means the Hong Kong Life Tables with a 4-year age set forward, whereas decrease in assumption means the Hong Kong Life Tables with a 2-year age set forward. The Hong Kong Life Tables 2019 are used for 2020 obligation and the Hong Kong Life Tables 2020 are used for 2021 obligation.

The above sensitivity analyzes are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit retirement schemes obligations to significant actuarial assumptions, the same method (the projected unit credit method used to calculate the present value of defined benefit retirement schemes obligations at the end of the reporting period) has been applied as when calculating the pension liability recognized in the consolidated statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

36 EMPLOYEE RETIREMENT BENEFITS *(CONTINUED)*

a. Defined benefit retirement schemes *(continued)*

vii. Expected maturity analysis of undiscounted payments of defined benefit retirement schemes are as follows:

In HK$ million	As at December 31, 2020				
	Within 1 year	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total
Undiscounted payments of defined benefit retirement schemes	16	16	49	281	362

In HK$ million	**As at December 31, 2021**				
	Within 1 year	**More than 1 year but within 2 years**	**More than 2 years but within 5 years**	**More than 5 years**	**Total**
Undiscounted payments of defined benefit retirement schemes	**17**	**17**	**49**	**275**	**358**

b. Defined contribution retirement schemes

The Group also operates 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 Group.

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$26 million (2020: HK$15 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.

37 SHARE-BASED PAYMENT TRANSACTIONS

The Group operates the following share option schemes and share award schemes:

Share option schemes

- Share option scheme of the Company adopted on May 8, 2014 (the "2014 Scheme").

- Share Stapled Units option scheme of HKT Trust and HKT conditionally adopted on November 7, 2011 and terminated on May 7, 2021 (the "HKT 2011-2021 Option Scheme"), and a new Share Stapled Units option scheme of HKT Trust and HKT adopted on May 7, 2021 (the "HKT 2021-2031 Option Scheme").

- Share option scheme of PCPD adopted on May 6, 2015 (the "2015 PCPD Scheme").

Share award schemes

- Share award schemes of the Company namely the PCCW Purchase Scheme and the PCCW Subscription Scheme (collectively the "PCCW Share Award Schemes").

- Share Stapled Units award schemes of HKT 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 these schemes are disclosed under the section "Share Option Schemes and Share Award Schemes of the Company and its Subsidiaries" in the Report of the Directors of the Company's 2021 Annual Report.

Other than as disclosed above, PCPD has entered into other share-based payment transactions, please refer to note 37(c) for details.

a. Share option schemes

No share options have been granted under the 2014 Scheme and the 2015 PCPD Scheme since their adoption and up to and including December 31, 2021. No Share Stapled Unit options have been granted under the HKT 2011-2021 Option Scheme and the HKT 2021-2031 Option Scheme since their adoption and up to and including its date of termination (in respect of the HKT 2011-2021 Option Scheme) and December 31, 2021 (in respect of the HKT 2021-2031 Option Scheme).

b. 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 the Company and its participating companies for the PCCW Share Award Schemes, and any director or employee of HKT 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 director of the Company, HKT, 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.

37 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

b. Share award schemes *(continued)*

During the year ended December 31, 2021, share-based compensation expenses in respect of the PCCW Share Award Schemes and the Share Stapled Units Award Schemes of HK$55 million (2020 (restated): HK$67 million) were recognized in the consolidated income statement, HK$39 million (2020 (restated): HK$49 million) were recognized in the employee share-based compensation reserve and HK$16 million (2020: HK$18 million) were recognized in non-controlling interests.

i. Movements in the number of PCCW Shares and Share Stapled Units held under the PCCW Share Award Schemes and the Share Stapled Units Award Schemes

	Number of PCCW Shares		Number of Share Stapled Units	
	2020	**2021**	2020	**2021**
PCCW Purchase Scheme:				
Beginning of year	4,423,044	**1,705,181**	1,016,475	**914,715**
Purchase from the market by the trustee at weighted average market price of HK$4.27 (2020: HK$4.72) per PCCW Share/HK$10.85 (2020: HK$11.32) per Share Stapled Unit	1,868,000	**5,801,000**	829,000	**695,000**
PCCW Shares/Share Stapled Units vested	(4,585,863)	**(4,278,886)**	(930,760)	**(832,742)**
Deconsolidation of subsidiaries	–	**(139,161)**	–	**(54,130)**
End of year	1,705,181	**3,088,134**	914,715	**722,843**
PCCW Subscription Scheme:				
Beginning of year	2,720,987	**8,913,680**	–	**–**
New PCCW Shares issued by the Company at issue price of HK$0.01 per PCCW Share *(note 34(a))*	10,000,000	**–**	–	**–**
PCCW Shares vested	(3,807,307)	**(3,694,531)**	–	**–**
End of year	8,913,680	**5,219,149**	–	**–**
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 HKT Trust and HKT 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**

(Amount expressed in Hong Kong dollars unless otherwise stated)

37 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

b. Share award schemes *(continued)*

ii. Movements in the number of unvested PCCW Shares and Share Stapled Units and their related weighted average fair value on the date of award

			2020 Number of PCCW Shares				
Date of award	Vesting period	Fair value on the date of award HK$	As at January 1, 2020	Awarded	Forfeited	Vested	As at December 31, 2020
PCCW Purchase Scheme (PCCW Shares)							
April 10, 2018	April 10, 2018 to April 10, 2020	4.66	1,677,823	–	–	(1,677,823)	–
April 19, 2018	April 19, 2018 to April 10, 2020	4.80	723,799	–	–	(723,799)	–
April 17, 2019	April 17, 2019 to April 17, 2020	4.74	1,662,117	–	–	(1,662,117)	–
April 17, 2019	April 17, 2019 to April 17, 2021	4.74	1,985,138	–	–	–	1,985,138
June 14, 2019	June 14, 2019 to April 17, 2020	4.56	241,225	–	–	(241,225)	–
April 16, 2020	April 16, 2020 to June 5, 2020	4.64	–	280,899	–	(280,899)	–
April 16, 2020	April 16, 2020 to April 16, 2021	4.64	–	2,293,748	–	–	2,293,748
April 16, 2020	April 16, 2020 to April 16, 2022	4.64	–	2,272,533	–	–	2,272,533
Total			6,290,102	4,847,180	–	(4,585,863)	6,551,419
Weighted average fair value on the date of award (HK$)			4.72	4.64	–	4.70	4.67
PCCW Subscription Scheme (PCCW Shares)							
April 10, 2018	April 10, 2018 to April 10, 2020	4.66	1,825,735	–	(28,020)	(1,797,715)	–
April 17, 2019	April 17, 2019 to April 17, 2020	4.74	1,911,279	–	(29,998)	(1,881,281)	–
April 17, 2019	April 17, 2019 to April 17, 2021	4.74	1,909,779	–	(98,531)	–	1,811,248
February 28, 2020	February 28, 2020 to April 17, 2020	4.69	–	128,311	–	(128,311)	–
February 28, 2020	February 28, 2020 to April 17, 2021	4.69	–	174,528	–	–	174,528
February 28, 2020	February 28, 2020 to April 17, 2022	4.69	–	9,612	–	–	9,612
February 28, 2020	February 28, 2020 to April 17, 2023	4.69	–	9,610	–	–	9,610
April 16, 2020	April 16, 2020 to April 16, 2021	4.64	–	2,010,251	(73,458)	–	1,936,793
April 16, 2020	April 16, 2020 to April 16, 2022	4.64	–	2,008,769	(73,372)	–	1,935,397
April 16, 2020	April 16, 2020 to April 16, 2023	4.64	–	100,787	–	–	100,787
April 16, 2020	April 16, 2020 to April 16, 2024	4.64	–	100,786	–	–	100,786
May 11, 2020	May 11, 2020 to April 16, 2021	4.77	–	40,900	–	–	40,900
May 11, 2020	May 11, 2020 to April 16, 2022	4.77	–	40,900	–	–	40,900
May 11, 2020	May 11, 2020 to April 16, 2023	4.77	–	20,448	–	–	20,448
Total			5,646,793	4,644,902	(303,379)	(3,807,307)	6,181,009
Weighted average fair value on the date of award (HK$)			4.71	4.65	4.68	4.70	4.67

37 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

b. Share award schemes *(continued)*

ii. 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)*

			2020 Number of Share Stapled Units				
Date of award	Vesting period	Fair value on the date of award HK$	As at January 1, 2020	Awarded	Forfeited	Vested	As at December 31, 2020
PCCW Purchase Scheme (Share Stapled Units)							
April 10, 2018	April 10, 2018 to April 10, 2020	9.94	578,808	–	(6,111)	(572,697)	–
April 17, 2019	April 17, 2019 to April 17, 2020	12.38	362,940	–	(4,877)	(358,063)	–
April 17, 2019	April 17, 2019 to April 17, 2021	12.38	362,508	–	(15,732)	–	346,776
April 16, 2020	April 16, 2020 to April 16, 2021	11.86	–	507,348	(9,089)	–	498,259
April 16, 2020	April 16, 2020 to April 16, 2022	11.86	–	506,925	(9,070)	–	497,855
April 16, 2020	April 16, 2020 to April 16, 2023	11.86	–	38,731	–	–	38,731
April 16, 2020	April 16, 2020 to April 16, 2024	11.86	–	38,730	–	–	38,730
Total			1,304,256	1,091,734	(44,879)	(930,760)	1,420,351
Weighted average fair value on the date of award (HK$)			11.30	11.86	11.84	10.88	11.99
HKT Share Stapled Units Purchase Scheme (Share Stapled Units)							
April 10, 2018	April 10, 2018 to April 10, 2020	9.94	880,219	–	(9,393)	(870,826)	–
May 4, 2018	May 4, 2018 to April 10, 2020	10.40	100,000	–	–	(100,000)	–
October 5, 2018	October 5, 2018 to October 5, 2020	10.34	15,000	–	(15,000)	–	–
November 5, 2018	November 5, 2018 to November 5, 2020	10.66	15,000	–	–	(15,000)	–
April 17, 2019	April 17, 2019 to April 17, 2020	12.38	208,846	–	–	(208,846)	–
April 17, 2019	April 17, 2019 to April 17, 2021	12.38	208,839	–	–	–	208,839
April 16, 2020	April 16, 2020 to April 16, 2021	11.86	–	202,686	–	–	202,686
April 16, 2020	April 16, 2020 to April 16, 2022	11.86	–	202,676	–	–	202,676
Total			1,427,904	405,362	(24,393)	(1,194,672)	614,201
Weighted average fair value on the date of award (HK$)			10.70	11.86	10.19	10.41	12.04

(Amount expressed in Hong Kong dollars unless otherwise stated)

37 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

b. Share award schemes *(continued)*

ii. 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)*

			2020 Number of Share Stapled Units				
Date of award	Vesting period	Fair value on the date of award HK$	As at January 1, 2020	Awarded	Forfeited	Vested	As at December 31, 2020
HKT Share Stapled Units Subscription Scheme (Share Stapled 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

37 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

b. Share award schemes *(continued)*

ii. 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)*

			2021				
			Number of PCCW Shares				
Date of award	Vesting period	Fair value on the date of award HK$	As at January 1, 2021	Awarded	Forfeited	Vested	As at December 31, 2021
PCCW Purchase Scheme (PCCW Shares)							
April 17, 2019	April 17, 2019 to April 17, 2021	4.74	1,985,138	–	–	(1,985,138)	–
April 16, 2020	April 16, 2020 to April 16, 2021	4.64	2,293,748	–	–	(2,293,748)	–
April 16, 2020	April 16, 2020 to April 16, 2022	4.64	2,272,533	–	(175,845)	–	2,096,688
April 16, 2021	April 16, 2021 to April 16, 2022	4.53	–	1,037,741	(141,362)	–	896,379
April 16, 2021	April 16, 2021 to April 16, 2023	4.53	–	1,333,735	(141,361)	–	1,192,374
April 28, 2021	April 28, 2021 to April 28, 2022	4.52	–	56,500	–	–	56,500
April 28, 2021	April 28, 2021 to April 28, 2023	4.52	–	56,500	–	–	56,500
Total			6,551,419	2,484,476	(458,568)	(4,278,886)	4,298,441
Weighted average fair value on the date of award (HK$)			4.67	4.53	4.57	4.69	4.58
PCCW Subscription Scheme (PCCW Shares)							
April 17, 2019	April 17, 2019 to April 17, 2021	4.74	1,811,248	–	(40,013)	(1,771,235)	–
February 28, 2020	February 28, 2020 to April 17, 2021	4.69	174,528	–	(138,655)	(35,873)	–
February 28, 2020	February 28, 2020 to April 17, 2022	4.69	9,612	–	–	–	9,612
February 28, 2020	February 28, 2020 to April 17, 2023	4.69	9,610	–	–	–	9,610
April 16, 2020	April 16, 2020 to April 16, 2021	4.64	1,936,793	–	(49,370)	(1,887,423)	–
April 16, 2020	April 16, 2020 to April 16, 2022	4.64	1,935,397	–	(192,842)	–	1,742,555
April 16, 2020	April 16, 2020 to April 16, 2023	4.64	100,787	–	–	–	100,787
April 16, 2020	April 16, 2020 to April 16, 2024	4.64	100,786	–	–	–	100,786
May 11, 2020	May 11, 2020 to April 16, 2021	4.77	40,900	–	(40,900)	–	–
May 11, 2020	May 11, 2020 to April 16, 2022	4.77	40,900	–	–	–	40,900
May 11, 2020	May 11, 2020 to April 16, 2023	4.77	20,448	–	–	–	20,448
April 16, 2021	April 16, 2021 to April 16, 2022	4.53	–	1,680,760	(156,020)	–	1,524,740
April 16, 2021	April 16, 2021 to April 16, 2023	4.53	–	1,679,480	(155,856)	–	1,523,624
July 2, 2021	July 2, 2021 to April 16, 2022	4.09	–	243,513	–	–	243,513
July 2, 2021	July 2, 2021 to April 16, 2023	4.09	–	243,513	–	–	243,513
July 2, 2021	July 2, 2021 to April 16, 2024	4.09	–	100,336	–	–	100,336
July 2, 2021	July 2, 2021 to April 16, 2025	4.09	–	100,335	–	–	100,335
Total			6,181,009	4,047,937	(773,656)	(3,694,531)	5,760,759
Weighted average fair value on the date of award (HK$)			4.67	4.46	4.62	4.69	4.52

(Amount expressed in Hong Kong dollars unless otherwise stated)

37 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

b. Share award schemes *(continued)*

ii. 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)*

			2021 Number of Share Stapled Units				
Date of award	Vesting period	Fair value on the date of award HK$	As at January 1, 2021	Awarded	Forfeited	Vested	As at December 31, 2021
PCCW Purchase Scheme (Share Stapled Units)							
April 17, 2019	April 17, 2019 to April 17, 2021	12.38	346,776	–	(5,587)	(341,189)	–
April 16, 2020	April 16, 2020 to April 16, 2021	11.86	498,259	–	(6,706)	(491,553)	–
April 16, 2020	April 16, 2020 to April 16, 2022	11.86	497,855	–	(93,081)	–	404,774
April 16, 2020	April 16, 2020 to April 16, 2023	11.86	38,731	–	–	–	38,731
April 16, 2020	April 16, 2020 to April 16, 2024	11.86	38,730	–	–	–	38,730
April 16, 2021	April 16, 2021 to April 16, 2022	11.06	–	324,017	(76,009)	–	248,008
April 16, 2021	April 16, 2021 to April 16, 2023	11.06	–	323,704	(75,950)	–	247,754
April 28, 2021	April 28, 2021 to April 28, 2022	11.22	–	22,733	–	–	22,733
April 28, 2021	April 28, 2021 to April 28, 2023	11.22	–	22,732	–	–	22,732
July 2, 2021	July 2, 2021 to April 16, 2022	10.56	–	40,370	–	–	40,370
July 2, 2021	July 2, 2021 to April 16, 2023	10.56	–	40,369	–	–	40,369
July 2, 2021	July 2, 2021 to April 16, 2024	10.56	–	40,369	–	–	40,369
July 2, 2021	July 2, 2021 to April 16, 2025	10.56	–	40,369	–	–	40,369
Total			1,420,351	854,663	(257,333)	(832,742)	1,184,939
Weighted average fair value on the date of award (HK$)			11.99	10.97	11.40	12.07	11.32
HKT Share Stapled Units Purchase Scheme (Share Stapled Units)							
April 17, 2019	April 17, 2019 to April 17, 2021	12.38	208,839	–	–	(208,839)	–
April 16, 2020	April 16, 2020 to April 16, 2021	11.86	202,686	–	–	(202,686)	–
April 16, 2020	April 16, 2020 to April 16, 2022	11.86	202,676	–	(630)	–	202,046
April 16, 2021	April 16, 2021 to April 16, 2022	11.06	–	226,945	(658)	–	226,287
April 16, 2021	April 16, 2021 to April 16, 2023	11.06	–	226,937	(657)	–	226,280
Total			614,201	453,882	(1,945)	(411,525)	654,613
Weighted average fair value on the date of award (HK$)			12.04	11.06	11.32	12.12	11.31

37 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

b. Share award schemes *(continued)*

ii. 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 Share Stapled Units As at January 1, 2021	Awarded	Forfeited	Vested	As at December 31, 2021
HKT Share Stapled Units Subscription Scheme (Share Stapled 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

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.

(Amount expressed in Hong Kong dollars unless otherwise stated)

37 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

b. Share award schemes *(continued)*

ii. 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 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)	0.64 year	**0.58 year**
PCCW Subscription Scheme (PCCW Shares)	0.70 year	**0.64 year**
PCCW Purchase Scheme (Share Stapled Units)	0.78 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**

c. Share-based payment transactions with cash alternatives of PCPD

i. On May 23, 2013, the PCPD Group entered into the supporting agreement with an affiliated company of the seller of a plot of land in Jakarta, Indonesia (the “Supporter”) under which the PCPD Group will settle part of the supporting services received for the value of US$23 million (subject to certain downward adjustments) by means of issuing non-voting, non-contributory but dividend participating class B shares that represent not more than 6.388% (subject to certain downward adjustments) of the share capital in an indirect wholly-owned subsidiary of PCPD (“Melati”) (the “Supporter Shares”) and by assignment of the shareholder’s loan to Melati (the “Supporter Shareholder’s Loans”).

In addition, the PCPD Group granted to the Supporter a right (but not an obligation) to require the PCPD Group, after the expiry of 5 years from the date on which the Supporter Shares are issued and the Supporter Shareholder’s Loans are assigned, to purchase from the Supporter all (but not part) of the Supporter Shares and to take assignment of all the then outstanding Supporter Shareholder’s Loans (the “Supporter Put Option”). The Supporter Put Option was granted at no premium.

When the consolidated net asset value of Melati is positive, the Supporter Shareholder’s Loans are to be assigned at the face amount and the Supporter Shares are to be issued at its corresponding portion of the consolidated net asset value of Melati; or when the consolidated net asset value of Melati is negative, the Supporter Shareholder’s Loans are to be assigned at the face amount after deduction of the absolute value of the corresponding portion of the consolidated net asset value of Melati, and the Supporter Shares are to be issued at nominal value of US$1.

A financial liability would be recognized in the consolidated statement of financial position in relation to the Supporter Put Option until the exercise of the Supporter Put Option by the Supporter. PCPD management considered the fair value of the Supporter Shares is positively correlated to the consolidated net asset value of Melati which was minimal as at December 31, 2020, therefore the fair value of the Supporter Shares was nil.

Due to the Deconsolidation of PCPD during the year ended December 31, 2021 as disclosed in note 5, no value of the Supporter Shares were included in the Group’s consolidated statement of financial position as at December 31, 2021.

37 SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

c. Share-based payment transactions with cash alternatives of PCPD *(continued)*

ii. On May 23, 2013, the PCPD Group entered into the investor subscription agreement and the investor loan purchase agreement with an independent third party (the "Investor"), the PCPD Group will allot to the Investor 9.99% shares of an indirect wholly-owned subsidiary of PCPD ("Rafflesia") (the "Investor Shares") and assign to the Investor 9.99% of all the unsecured and non-interest bearing shareholder's loan to Rafflesia (the "Investor Shareholder's Loans") at the time when the occupation permit of the premium Grade A office building in Jakarta, Indonesia is issued. This arrangement will allow the Investor to have 9.99% of the PCPD Group's Indonesian development project at a consideration of an amount which represents the same percentage (9.99%) of the total investment cost incurred by the PCPD Group in the Indonesian development project plus finance charge from the completion date of the land acquisition to the time the shares are subscribed.

In addition, the PCPD Group granted to the Investor a right (but not an obligation) to require the PCPD Group, at any time on or after May 23, 2023, to purchase from the Investor all (but not part) of the Investor Shares and to take assignment of all the then outstanding Investor Shareholder's Loans (the "Investor Put Option"). The Investor Put Option enables a structure which allows the Investor to realize its investment and prevents unknown parties from becoming a stakeholder in Rafflesia, so far as practicable. The Investor Put Option was granted at no premium.

When the consolidated net asset value of Rafflesia is positive, Investor Shareholder's Loans are to be assigned at the face amount and the Investor Shares are to be issued at its corresponding portion of the consolidated net asset value of Rafflesia; or when the consolidated net asset value of Rafflesia is negative, the Investor Shareholder's Loans are to be assigned at the face amount after deduction of the absolute value of the corresponding portion of the consolidated net asset value of Rafflesia (in case of any shortfall after the deduction), the Investor is required to settle the shortfall. The Investor Shares are to be issued at nominal value of US$1.

PCPD management considered the fair value of the Investor Shares is positively correlated to the consolidated net asset value of Rafflesia which was minimal as at December 31, 2020, therefore the fair value of the Investor Shares was nil.

Due to the Deconsolidation of PCPD during the year ended December 31, 2021 as disclosed in note 5, no value of the Investor Shares were included in the Group's consolidated statement of financial position as at December 31, 2021.

38 RESERVES

In HK$ million	2020							
	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Costs of hedging reserve	Other reserves	Retained profits/ (Accumulated losses)	Total
THE GROUP								
As at January 1, 2020	(18)	67	(794)	325	(102)	(352)	3,458	2,584
Total comprehensive income/(loss) for the year								
Loss for the year	–	–	–	–	–	–	(1,020)	(1,020)
Other comprehensive income/(loss)								
Items that will not be reclassified subsequently to consolidated income statement:								
Remeasurements of defined benefit retirement schemes obligations	–	–	–	–	–	–	(15)	(15)
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:								
Translation exchange differences:								
– exchange differences on translating foreign operations	–	–	12	–	–	–	–	12
– reclassification of currency translation reserve on deconsolidation of subsidiaries	–	–	3	–	–	–	–	3
Cash flow hedges:								
– effective portion of changes in fair value	–	–	–	(143)	–	–	–	(143)
– transfer from equity to consolidated income statement	–	–	–	(46)	4	–	–	(42)
Costs of hedging	–	–	–	–	99	–	–	99
Total comprehensive income/(loss) for the year	–	–	15	(189)	103	–	(1,035)	(1,106)
Transactions with equity holders								
Purchases/Subscription of PCCW Shares under share award schemes	(8)	–	–	–	–	–	–	(8)
Purchases/Subscription of Share Stapled Units under share award schemes	–	–	–	–	–	–	(12)	(12)
Employee share-based compensation	–	52	–	–	–	–	–	52
Vesting of PCCW Shares and Share Stapled Units under share award schemes	19	(46)	–	–	–	–	27	–
Distributions/Dividends for PCCW Shares and Share Stapled Units granted under share award schemes	–	(7)	–	–	–	–	(1)	(8)
Dividend paid in respect of the previous year	–	–	–	–	–	–	(1,774)	(1,774)
Dividend declared and paid in respect of the current year	–	–	–	–	–	–	(709)	(709)
Special interim dividend by way of distribution in specie *(note 14(a))*	–	–	739	–	–	–	(2,499)	(1,760)
Total contributions by and distributions to equity holders	11	(1)	739	–	–	–	(4,968)	(4,219)
Deconsolidation of subsidiaries	–	–	–	–	–	30	(30)	–
Decrease in interests in subsidiaries that does not result in a loss of control *(note 49)*	–	–	–	–	–	–	(263)	(263)
Accretion on put option to the non-controlling shareholder of an indirect non-wholly owned subsidiary that does not result in a loss of control	–	–	–	–	–	(17)	–	(17)
Total transactions with equity holders	11	(1)	739	–	–	13	(5,261)	(4,499)
As at December 31, 2020	(7)	66	(40)	136	1	(339)	(2,838)	(3,021)

38 RESERVES *(CONTINUED)*

In HK$ million	2020				
	Employee share-based compensation reserve	Hedging reserve	Costs of hedging reserve	Retained profits	Total
THE COMPANY					
As at January 1, 2020	20	4	(21)	19,264	19,267
Total comprehensive income for the year					
Profit for the year	–	–	–	4,141	4,141
Other comprehensive income/(loss)					
Items that have been reclassified or may be reclassified subsequently to income statement:					
Cash flow hedges:					
– effective portion of changes in fair value	–	(4)	–	–	(4)
Costs of hedging	–	–	6	–	6
Total comprehensive income/(loss) for the year	–	(4)	6	4,141	4,143
Transactions with equity holders					
Dividend paid in respect of the previous year	–	–	–	(1,778)	(1,778)
Dividend declared and paid in respect of the current year	–	–	–	(710)	(710)
Special interim dividend by way of distribution in specie *(note a)*	–	–	–	(1,603)	(1,603)
Total transactions with equity holders	–	–	–	(4,091)	(4,091)
As at December 31, 2020 *(note b)*	20	–	(15)	19,314	19,319

38 RESERVES *(CONTINUED)*

In HK$ million	2021							
	Treasury stock	Employee share-based compensation reserve	Currency translation reserve	Hedging reserve	Costs of hedging reserve	Other reserves	Accumulated losses	Total
THE GROUP As at January 1, 2021	(7)	66	(40)	136	1	(339)	(2,838)	(3,021)
Total comprehensive income/(loss) for the year								
Profit for the year	–	–	–	–	–	–	1,039	1,039
Other comprehensive income/(loss)								
Items that will not be reclassified subsequently to consolidated income statement:								
Remeasurements of defined benefit retirement schemes obligations	–	–	–	–	–	–	18	18
Items that have been reclassified or may be reclassified subsequently to consolidated income statement:								
Translation exchange differences:								
– exchange differences on translating foreign operations	–	–	(120)	–	–	–	–	(120)
– reclassification of currency translation reserve on deconsolidation of subsidiaries	–	–	270	–	–	–	–	270
Cash flow hedges:								
– effective portion of changes in fair value	–	–	–	(1)	–	–	–	(1)
– transfer from equity to consolidated income statement	–	–	–	(2)	6	–	–	4
Costs of hedging	–	–	–	–	(16)	–	–	(16)
Total comprehensive income/(loss) for the year	–	–	150	(3)	(10)	–	1,057	1,194
Transactions with equity holders								
Purchases of PCCW Shares under share award scheme	(22)	–	–	–	–	–	–	(22)
Purchases of Share Stapled Units under share award schemes	–	–	–	–	–	–	(10)	(10)
Employee share-based compensation	–	39	–	–	–	–	–	39
Vesting of PCCW Shares and Share Stapled Units under share award schemes	17	(42)	–	–	–	–	24	(1)
Distributions/Dividends for PCCW Shares and Share Stapled Units granted under share award schemes	–	(5)	–	–	–	–	–	(5)
Dividend paid in respect of the previous year	–	–	–	–	–	–	(1,776)	(1,776)
Dividend declared and paid in respect of the current year	–	–	–	–	–	–	(722)	(722)
Total contributions by and distributions to equity holders	(5)	(8)	–	–	–	–	(2,484)	(2,497)
Decrease in interests in subsidiaries that results in a loss of control	1	–	–	–	–	–	–	1
Decrease in interests in subsidiaries that does not result in a loss of control *(note (c))*	–	–	69	–	–	–	(205)	(136)
Accretion on put option to the non-controlling shareholder of an indirect non-wholly owned subsidiary that does not result in a loss of control	–	–	–	–	–	(18)	–	(18)
Total transactions with equity holders	(4)	(8)	69	–	–	(18)	(2,689)	(2,650)
As at December 31, 2021	(11)	58	179	133	(9)	(357)	(4,470)	(4,477)

38 RESERVES *(CONTINUED)*

In HK$ million	2021				
	Employee share-based compensation reserve	Hedging reserve	Costs of hedging reserve	Retained profits	Total
THE COMPANY					
As at January 1, 2021	20	–	(15)	19,314	19,319
Total comprehensive income for the year					
Profit for the year	–	–	–	2,406	2,406
Other comprehensive income					
Items that have been reclassified or may be reclassified subsequently to income statement:					
Cash flow hedges:					
– effective portion of changes in fair value	–	1	–	–	1
Costs of hedging	–	–	13	–	13
Total comprehensive income for the year	–	1	13	2,406	2,420
Transactions with equity holders					
Dividend paid in respect of the previous year	–	–	–	(1,778)	(1,778)
Dividend declared and paid in respect of the current year	–	–	–	(723)	(723)
Total transactions with equity holders	–	–	–	(2,501)	(2,501)
As at December 31, 2021 *(note b)*	20	1	(2)	19,219	19,238

a. The special interim dividend by way of distribution of PCPD Shares was recognized according to the fair value of the PCPD Shares of HK$1.92 per share as at September 29, 2020, the date of distribution.

b. The Company had total distributable reserves of HK$19,219 million as at December 31, 2021 (2020: HK$19,314 million).

c. On March 24, 2021, PCPD completed the rights issue on the basis of one rights share for every two ordinary shares held by the then existing shareholders of PCPD. Immediately after completion, the Group's economic interest in PCPD decreased from approximately 40.0% to approximately 31.2%, resulting in an increase in non-controlling interests attributable to PCPD of HK$500 million.

39 DEFERRED INCOME TAX

As at December 31, 2021, deferred income tax liabilities/(assets) represent:

In HK$ million	2020	**2021**
Deferred income tax assets	(932)	**(788)**
Deferred income tax liabilities	4,023	**4,267**
	3,091	**3,479**

a. Movements in deferred income tax liabilities/(assets) were as follows:

In HK$ million	2020				
	Accelerated tax depreciation and amortization	Valuation adjustment resulting from acquisition of subsidiaries	Tax losses	Others	Total
Beginning of year	4,204	181	(1,555)	14	2,844
Charged/(Credited) to the consolidated income statement	395	(27)	(132)	(4)	232
Additions upon business combination	3	5	–	–	8
Deconsolidation of subsidiaries	–	–	8	–	8
Exchange differences	–	–	–	(1)	(1)
End of year	4,602	159	(1,679)	9	3,091

In HK$ million	**2021**				
	Accelerated tax depreciation and amortization	**Valuation adjustment resulting from acquisition of subsidiaries**	**Tax losses**	**Others**	**Total**
Beginning of year	**4,602**	**159**	**(1,679)**	**9**	**3,091**
Charged/(Credited) to the consolidated income statement	**579**	**(16)**	**(82)**	**(9)**	**472**
Deconsolidation of subsidiaries	**(159)**	**–**	**93**	**(20)**	**(86)**
Exchange differences	**–**	**–**	**–**	**2**	**2**
End of year	**5,022**	**143**	**(1,668)**	**(18)**	**3,479**

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 Group had unutilized estimated tax losses for which no deferred income tax assets have been recognized of HK$14,097 million (2020: HK$12,890 million) to carry forward for deduction against future taxable income. Estimated tax losses of HK$414 million (2020: HK$325 million) and HK$46 million (2020: HK$432 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.

40 CARRIER LICENCE FEE LIABILITIES

As at December 31, 2021, the Group had carrier licence fee liabilities payable as follows:

In HK$ million	2020 Present value of the minimum annual fees	2020 Interest expense relating to future periods	2020 Total minimum annual fees	**2021 Present value of the minimum annual fees**	**2021 Interest expense relating to future periods**	**2021 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**

41 OTHER LONG-TERM LIABILITIES

a. OTT Preference Shares

As at December 31, 2020, other long-term liabilities included a liability of HK$835 million arising from the issuance of the OTT Preference Shares during the year ended December 31, 2017. As at December 31, 2021, such liability was reclassified as accruals and other payables under current liabilities.

On September 25, 2017, the Group issued and allotted to three investors an aggregate of 11,000,000 series A convertible redeemable voting preference shares of a par value of US$1.00 each (the "OTT Preference Shares") in the capital of a then indirect wholly-owned subsidiary of the Company, representing approximately 18% of its enlarged issued share capital, for a total consideration of US$110 million (equivalent to approximately HK$859 million). The OTT Preference Shares are redeemable at the original subscription price, at the earliest on September 25, 2022, if certain contingent event has not occurred by then. The OTT Preference Shares are entitled to discretionary dividends and also have certain preference in liquidation or upon an initial public offering or sale of business.

The OTT Preference Shares contain a liability and an equity component, and are accordingly treated as a compound financial instrument. The liability component further contains embedded derivatives ("OTT Preference Shares Derivative"), which are accounted for as derivative financial instruments in accordance with the accounting policy set out in note 2(q), and a host liability ("OTT Preference Shares Liability"), which is recorded as other long-term liabilities in the consolidated statement of financial position on an amortized cost basis until being extinguished on conversion or redemption. The valuation of the OTT Preference Shares Derivative and the OTT Preference Shares Liability on the date of issuance of the OTT Preference Shares was HK$33 million and HK$808 million respectively.

During the year ended December 31, 2021, the Group recognized a finance cost on the OTT Preference Shares Liability of HK$10 million (2020: HK$10 million), and fair value gains of HK$9 million (2020: HK$5 million) on the OTT Preference Shares Derivative, in other losses, net in the consolidated income statement.

Refer to note 33(d) for details of the derivative financial instruments.

b. Put option arrangement

As at December 31, 2021, accruals and other payables included a liability of HK$274 million (2020: HK$256 million in other long-term liabilities) being the present value of the amount that could become payable upon the exercise of the put option written for the acquisition of Jumbo Fame Global Limited and its subsidiaries (together the "Jumbo Group") during the year ended December 31, 2018. The put option is exercisable upon the achievement of certain financial targets in 2022, entitling the holder to put his/her equity interest to the Group at an option price to be determined by a fixed multiplier to the EBITDA of the Jumbo Group for the year ended December 31, 2021, subject to a cap of HK$285 million.

The present value of the amount that could become payable upon the exercise of the put option amounted to HK$223 million was initially recognized as other long-term liabilities with a corresponding charge directly to other reserve. The liability is subsequently accreted up to the amount that could become payable at the date at which the put option first become exercisable. In the event that the put option expires unexercised, the liability is derecognized with a corresponding adjustment to equity. During the year ended December 31, 2021, accretion on put option of HK$18 million (2020: HK$17 million) was recognized in other reserve.

42 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	1,408	**4,064**
Adjustments for:		
Interest income	(50)	**(76)**
Finance costs	1,919	**1,867**
Fair value movement of derivative financial instruments	(5)	**(24)**
Fair value losses on financial assets at FVPL	116	**80**
Provision for impairment on property, plant and equipment	229	**–**
Write-off of intangible assets	409	**5**
Loss/(Gain) on deconsolidation of subsidiaries, net	35	**(890)**
Other losses/(gains)	8	**(1)**
Losses/(Gains) on disposal of property, plant and equipment and right-of-use assets, net	1	**(28)**
Impairment loss for trade receivables	389	**262**
Write-back of provision for inventory obsolescence, net	(16)	**(8)**
Depreciation of property, plant and equipment	1,625	**1,716**
Depreciation of right-of-use assets	1,904	**1,793**
Amortization of land lease premium – interests in leasehold land	18	**18**
Amortization of intangible assets	2,743	**3,077**
Amortization of fulfillment costs	489	**393**
Amortization of customer acquisition costs	1,104	**1,142**
Share of results of associates and joint ventures	25	**(572)**
Increase in treasury stock for the purchases of PCCW Shares under share award scheme	(9)	**(25)**
Decrease in equity for the purchases of Share Stapled Units under share award schemes	(14)	**(12)**
Share-based compensation expenses	70	**55**
Pension cost for defined benefit retirement schemes	2	**1**
Decrease/(Increase) in operating assets		
– properties held for/under development/held for sale	1,104	**(48)**
– fulfillment costs	(522)	**(487)**
– customer acquisition costs	(1,131)	**(1,223)**
– contract assets	408	**(697)**
– other non-current assets	39	**19**
– sales proceeds held in stakeholders' accounts	2	**1**
– inventories	19	**(372)**
– trade receivables, prepayments, deposits and other current assets	(182)	**(1,804)**
– amounts due from related companies	25	**9**
– restricted cash	2	**(77)**
Increase/(Decrease) in operating liabilities		
– trade payables, accruals and other payables	1,502	**1,388**
– amount payable to the Government under the Cyberport Project Agreement	5	**4**
– amounts due to related companies	11	**–**
– advances from customers	(71)	**(1)**
– contract liabilities	(257)	**212**
– defined benefit retirement schemes liability	(8)	**(9)**
– other long-term liabilities	(88)	**(11)**
CASH GENERATED FROM OPERATIONS	13,258	**9,741**
Interest received	37	**57**
Income tax paid, net of tax refund		
– Hong Kong profits tax (paid)/refund	(508)	**61**
– overseas profits tax paid	(92)	**(155)**
NET CASH GENERATED FROM OPERATING ACTIVITIES	12,695	**9,704**

42 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							
	Restricted cash	Prepaid finance costs (included in prepayments, deposits and other current assets)	Interest payable (included in accruals and other payables)	Lease liabilities	Borrowings	Derivative financial instruments, net	OTT Preference Shares Liability (included in other long-term liabilities)	Total
As at January 1, 2020	(709)	(24)	375	4,093	55,033	(218)	829	59,379
Cash flows in financing activities								
New borrowings raised	–	–	10	–	26,758	–	–	26,768
Finance costs (paid)/received	–	(12)	(1,563)	–	–	230	–	(1,345)
Repayments of borrowings	–	–	–	–	(25,312)	–	–	(25,312)
Payment for lease liabilities (including interest)	–	–	–	(1,974)	–	–	–	(1,974)
Decrease in restricted cash	485	–	–	–	–	–	–	485
Payment for modification of guaranteed notes	–	–	–	–	(20)	–	–	(20)
Cash flows in investing activities								
Loan repayment in relation to licence fee *(note 44(b)(i))*	–	–	–	–	(130)	–	–	(130)
Cash flows in operating activities								
Decrease in restricted cash	2	–	–	–	–	–	–	2
Non-cash movements	–	(31)	1,492	1,751	360	(89)	6	3,489
As at December 31, 2020	(222)	(67)	314	3,870	56,689	(77)	835	61,342

42 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								
	Restricted cash	Prepaid finance costs (included in prepayments, deposits and other current assets)	Interest payable (included in accruals and other payables)	Lease liabilities	Amounts due to related companies	Borrowings	Derivative financial instruments, net	OTT Preference Shares Liability (included in accruals and other payables)	Total
As at January 1, 2021	(222)	(67)	314	3,870	47	56,689	(77)	835[#]	61,389
Cash flows in financing activities									
New borrowings raised	–	(8)	(25)	–	–	28,620	–	–	28,587
Finance costs (paid)/received	–	–	(1,426)	–	–	–	233	–	(1,193)
Repayments of borrowings	–	–	–	–	–	(27,974)	–	–	(27,974)
Payment for lease liabilities (including interest)	–	–	–	(1,903)	–	–	–	–	(1,903)
Movement in amounts due to a related company	–	–	–	–	22	–	–	–	22
Increase in restricted cash	(7)	–	–	–	–	–	–	–	(7)
Cash flows in investing activities									
Loan repayment in relation to licence fee *(note 44(b)(i))*	–	–	–	–	–	(130)	–	–	(130)
Cash flows in operating activities									
Increase in restricted cash	(77)	–	–	–	–	–	–	–	(77)
Non-cash movements	119	14	1,380	426	(3)	(10,382)	(199)	15	(8,630)
As at December 31, 2021	(187)	(61)	243	2,393	66	46,823	(43)	850	50,084

[#] As at January 1, 2021, the balance was included in other long-term liabilities.

c. Analysis of cash and cash equivalents

In HK$ million	2020	**2021**
Total cash and bank balances	4,841	**5,223**
Less: restricted cash	(222)	**(187)**
Less: short-term deposits	(538)	**(472)**
Cash and cash equivalents as at December 31,	4,081	**4,564**

43 CAPITAL MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders to support the Group's stability and growth; and to earn a margin commensurate with the level of business and market risks in the Group's operation.

The Group monitors capital by reviewing the level of capital that is at the disposal of the Group ("Adjusted Capital"), taking into consideration the future capital requirements of the Group, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Adjusted Capital comprises all components of equity.

Neither the Company nor any of its subsidiaries are 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 Group also has a minimum capital requirement as a condition for a stored value facilities licence granted by the Hong Kong Monetary Authority.

44 FINANCIAL INSTRUMENTS

The tables below analyze financial instruments by category:

In HK$ million			2020		
	Financial assets at amortized cost	Financial assets at FVOCI	Financial assets at FVPL	Derivatives used for hedging	Total
Non-current assets					
Financial assets at FVOCI	–	124	–	–	124
Financial assets at FVPL	–	–	757	–	757
Derivative financial instruments	–	–	–	243	243
Other non-current assets (excluding prepayments)	276	–	–	–	276
	276	124	757	243	1,400
Current assets					
Sale proceeds held in stakeholders' accounts	504	–	–	–	504
Prepayments, deposits and other current assets (excluding prepayments)	2,318	–	–	–	2,318
Trade receivables, net	4,627	–	–	–	4,627
Amounts due from related companies	49	–	–	–	49
Restricted cash	222	–	–	–	222
Short-term deposits	538	–	–	–	538
Cash and cash equivalents	4,081	–	–	–	4,081
	12,339	–	–	–	12,339
Total	12,615	124	757	243	13,739

44 FINANCIAL INSTRUMENTS *(CONTINUED)*

The tables below analyze financial instruments by category: *(continued)*

In HK$ million	2020			
	Derivatives used for hedging	Derivatives at FVPL	Other financial liabilities at amortized cost	Total
Current liabilities				
Short-term borrowings	–	–	(2,370)	(2,370)
Trade payables	–	–	(4,418)	(4,418)
Accruals and other payables	–	–	(6,181)	(6,181)
Amount payable to the Government under the Cyberport Project Agreement	–	–	(330)	(330)
Derivative financial instruments	(23)	(6)	–	(29)
Carrier licence fee liabilities	–	–	(215)	(215)
Amounts due to related companies	–	–	(47)	(47)
Advances from customers	–	–	(253)	(253)
Lease liabilities	–	–	(1,508)	(1,508)
	(23)	(6)	(15,322)	(15,351)
Non-current liabilities				
Long-term borrowings	–	–	(54,319)	(54,319)
Derivative financial instruments*	(128)	(9)	–	(137)
Carrier licence fee liabilities	–	–	(627)	(627)
Lease liabilities	–	–	(2,362)	(2,362)
Other long-term liabilities	–	–	(3,233)	(3,233)
	(128)	(9)	(60,541)	(60,678)
Total	(151)	(15)	(75,863)	(76,029)

44 FINANCIAL INSTRUMENTS *(CONTINUED)*

The tables below analyze financial instruments by category: *(continued)*

In HK$ million	2021				
	Financial assets at amortized cost	**Financial assets at FVOCI**	**Financial assets at FVPL**	**Derivatives used for hedging**	**Total**
Non-current assets					
Financial assets at FVOCI	–	124	–	–	124
Financial assets at FVPL	–	–	1,731	–	1,731
Other financial assets	1,341	–	–	–	1,341
Derivative financial instruments	–	–	15	131	146
Other non-current assets (excluding prepayments)	137	–	–	–	137
	1,478	124	1,746	131	3,479
Current assets					
Prepayments, deposits and other current assets (excluding prepayments)	2,033	–	–	–	2,033
Trade receivables, net	5,761	–	–	–	5,761
Amounts due from related companies	34	–	–	–	34
Derivative financial instruments	–	–	–	25	25
Restricted cash	187	–	–	–	187
Short-term deposits	472	–	–	–	472
Cash and cash equivalents	4,564	–	–	–	4,564
	13,051	–	–	25	13,076
Total	14,529	124	1,746	156	16,555

44 FINANCIAL INSTRUMENTS *(CONTINUED)*

The tables below analyze financial instruments by category: *(continued)*

In HK$ million	2021 Derivatives used for hedging	Other financial liabilities at amortized cost	Total
Current liabilities			
Short-term borrowings	–	(2,419)	(2,419)
Trade payables	–	(5,770)	(5,770)
Accruals and other payables	–	(8,164)	(8,164)
Carrier licence fee liabilities	–	(315)	(315)
Amounts due to related companies	–	(66)	(66)
Advances from customers	–	(270)	(270)
Lease liabilities	–	(1,120)	(1,120)
	–	(18,124)	(18,124)
Non-current liabilities			
Long-term borrowings	–	(44,404)	(44,404)
Derivative financial instruments*	(128)	–	(128)
Carrier licence fee liabilities	–	(3,449)	(3,449)
Lease liabilities	–	(1,273)	(1,273)
Other long-term liabilities	–	(2,332)	(2,332)
	(128)	(51,458)	(51,586)
Total	(128)	(69,582)	(69,710)

* 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 Group on January 15, 2025 at an early redemption amount of US$470 million (2020: US$470 million).

Refer to notes 31(c) and 33(a) for details of the guaranteed notes and the foreign exchange forward contracts respectively.

Exposure to credit, liquidity and market risk (including foreign currency risk and interest rate risk) arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. Exposure to these risks is controlled by the Group's financial management policies and practices described below.

44 FINANCIAL INSTRUMENTS *(CONTINUED)*

a. Credit risk

The Group's 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, 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 Group's normal credit period for customers is ranging up to 30 days from the date of invoice unless there is a separate mutual agreement on extension of the credit period. The Group maintains a well-defined credit policy and individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors who have overdue balances are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. As at December 31, 2020 and 2021, the Group did not have a significant exposure to any individual debtors or counterparties.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 30(e).

The overall impact of impairment of the contract assets on the 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 Group 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, 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, 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 Group does 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 Group as disclosed in note 46, the Group does not provide any other guarantees which would expose the Group to credit risk.

b. Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with debt covenants, to ensure that it maintains sufficient reserves of cash and adequate lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Management believes there is no significant liquidity risk as the Group has sufficient cash and banking facilities to fund its operations and debt servicing requirements.

The Group is subject to certain corporate guarantee obligations to guarantee performance of its subsidiaries in the normal course of their businesses. Refer to note 46 for details.

44 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Liquidity risk *(continued)*

The following tables detail the remaining contractual maturities at the end of the reporting periods of the Group's 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 Group can be required to pay:

In HK$ million	2020					
	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	Total contractual undiscounted cash outflow	Carrying amount
Current liabilities						
Short-term borrowings	(2,381)	–	–	–	(2,381)	(2,370)
Trade payables	(4,418)	–	–	–	(4,418)	(4,418)
Accruals and other payables	(6,181)	–	–	–	(6,181)	(6,181)
Amount payable to the Government under the Cyberport Project Agreement	(330)	–	–	–	(330)	(330)
Derivative financial instruments	(29)	–	–	–	(29)	(29)
Carrier licence fee liabilities	(222)	–	–	–	(222)	(215)
Amounts due to related companies	(47)	–	–	–	(47)	(47)
Advances from customers	(253)	–	–	–	(253)	(253)
Lease liabilities	(1,605)	–	–	–	(1,605)	(1,508)
	(15,466)	–	–	–	(15,466)	(15,351)
Non-current liabilities						
Long-term borrowings *(note i)*	(971)	(11,184)	(31,178)	(15,288)	(58,621)	(54,319)
Derivative financial instruments *(note ii)*	11	11	(104)	(12)	(94)	(137)
Carrier licence fee liabilities	–	(94)	(235)	(415)	(744)	(627)
Lease liabilities	–	(941)	(1,202)	(401)	(2,544)	(2,362)
Other long-term liabilities *(note iii)*	(1)	(1,236)	(841)	(4,274)	(6,352)	(3,233)
	(961)	(13,444)	(33,560)	(20,390)	(68,355)	(60,678)
Total	(16,427)	(13,444)	(33,560)	(20,390)	(83,821)	(76,029)

44 FINANCIAL INSTRUMENTS *(CONTINUED)*

b. Liquidity risk *(continued)*

In HK$ million	2021					
	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	Total contractual undiscounted cash outflow	Carrying amount
Current liabilities						
Short-term borrowings	(2,438)	–	–	–	(2,438)	(2,419)
Trade payables	(5,770)	–	–	–	(5,770)	(5,770)
Accruals and other payables	(8,164)	–	–	–	(8,164)	(8,164)
Carrier licence fee liabilities	(320)	–	–	–	(320)	(315)
Amounts due to related companies	(66)	–	–	–	(66)	(66)
Advances from customers	(270)	–	–	–	(270)	(270)
Lease liabilities	(1,173)	–	–	–	(1,173)	(1,120)
	(18,201)	–	–	–	(18,201)	(18,124)
Non-current liabilities						
Long-term borrowings *(note i)*	(643)	(10,390)	(27,515)	(9,126)	(47,674)	(44,404)
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	–	(654)	(651)	(23)	(1,328)	(1,273)
Other long-term liabilities *(note iii)*	–	(787)	(47)	(4,131)	(4,965)	(2,332)
	(631)	(12,263)	(29,127)	(16,204)	(58,225)	(51,586)
Total	(18,832)	(12,263)	(29,127)	(16,204)	(76,426)	(69,710)

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 Group.

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 31(e), 31(b) and 33(a) for details of the guaranteed notes and the derivative financial instruments respectively.

44 FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Market risk

Market risk comprises foreign currency, interest rate and equity price exposure deriving from the Group's operation, investment and funding activities. As a matter of policy, the Group enters into cross currency swap contracts, interest rate swap contracts, foreign exchange forward contracts and other financial instruments to manage its exposure to market risk directly related to its operations and financing. The Group does not undertake any speculative trading activities in connection with these financial instruments or enters into or acquires high market risk instruments for trading purposes.

The Group 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 Group, 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 Group.

In the normal course of business, the Group uses the above-mentioned financial instruments to limit its 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 Group operates internationally and is exposed to foreign currency risk arising from various currency exposure. Foreign currency risk arises when the Group's recognized assets and liabilities are denominated in a currency that is not the functional currency of the relevant group entity.

Majority of the Group's borrowings are denominated in Hong Kong dollars, United States dollars and Euro. As at December 31, 2020 and 2021, majority of the Group's 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 Group's 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$3,020 million (approximately HK$23,526 million)(2020: US$2,520 million (approximately HK$19,627 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 Group ensures 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.

44 FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Market risk *(continued)*

i. Foreign currency risk *(continued)*

The following table details the Group's 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	1,504	53	239	**1,515**	**70**	**248**
Short-term deposits	–	–	–	**472**	**–**	**–**
Cash and cash equivalents	1,484	40	23	**1,724**	**69**	**14**
Trade payables	(2,864)	(67)	(5)	**(3,377)**	**(72)**	**(4)**
Advances from customers	(16)	(1)	(1)	**(16)**	**(1)**	**(1)**
Lease liabilities	(95)	(8)	(1)	**(78)**	**(3)**	**(17)**
Short-term borrowings	–	–	–	**(2,358)**	**–**	**–**
Long-term borrowings	(27,609)	(1,878)	–	**(20,521)**	**(1,752)**	**–**
Gross exposure arising from net monetary (liabilities)/assets	(27,596)	(1,861)	255	**(22,639)**	**(1,689)**	**240**
Net monetary (assets)/liabilities denominated in respective entities' functional currencies	(352)	(7)	(2)	**(498)**	**2**	**5**
Borrowings with hedging instruments	22,739	1,878	–	**22,103**	**1,752**	**–**
Overall net exposure	(5,209)	10	253	**(1,034)**	**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 Group for the year would have decreased/increased by approximately HK$9 million (2020: HK$43 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 Group as at December 31, 2021 would have collectively debited/credited by approximately HK$127 million (2020: HK$106 million), mainly as a result of foreign exchange losses/gains on the short-term borrowings and long-term borrowings being hedged by cross currency swap contracts and foreign exchange forward contracts.

44 FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Market risk *(continued)*

i. Foreign currency risk *(continued)*

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 Group for the year would have increased/decreased by HK3 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 Group as at December 31, 2021 would have collectively debited/credited by approximately HK$46 million (2020: HK$49 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 Group 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 at the end of the reporting period and applied to the Group's 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.

ii. Interest rate risk

Given the relatively insignificant amount of interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises primarily from short-term and long-term borrowings. Borrowings at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. In addition, from time to time, the Group draws under its revolving credit facilities which are substantially denominated in Hong Kong dollars with floating rate interest.

The Group has entered into fixed-to-floating cross currency swap contracts to manage the fair value interest rate risk arising from certain fixed rate short-term borrowings and 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.

44 FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Market risk *(continued)*

ii. Interest rate risk *(continued)*

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period, after taking into account the effect of the cash flow and fair value hedging instruments:

	2020		**2021**	
	Effective interest rate %	HK$ million	**Effective interest rate %**	**HK$ million**
Net fixed rate borrowings:				
Short-term bank borrowings with hedging instruments	1.84	1,499	**–**	**–**
Long-term borrowings	4.45	8,720	**5.06**	**776**
Long-term borrowings with hedging instruments	3.79	18,391	**3.76**	**21,497**
Long-term bank borrowings with hedging instruments	2.46	2,927	**2.71**	**993**
		31,537		**23,266**
Variable rate borrowings:				
Short-term bank borrowings	1.64	871	**5.47**	**61**
Short-term borrowings with hedging instruments	–	–	**4.79**	**2,358**
Long-term bank borrowings	1.27	21,905	**0.90**	**21,138**
Long-term borrowings with hedging instruments	5.38	2,376	**–**	**–**
		25,152		**23,557**
Total borrowings		56,689		**46,823**

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 Group for the year would have decreased/increased by approximately HK$99 million (2020: HK$106 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 Group's 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.

44 FINANCIAL INSTRUMENTS *(CONTINUED)*

c. Market risk *(continued)*

iii. Equity price risk

The Group is exposed to equity price changes arising from equity investments.

Investments are held for their long term growth potential or long term strategic purpose. Performance of the Group's listed investments are monitored regularly for price changes, whereas performance of the Group's unlisted investments are 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 Group. Assessment of investment's relevance to the Group's long-term strategic plans are also made by management on regular basis (if applicable).

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**
Other financial assets	–	–	**1,341**	**1,334**
Short-term borrowings	2,370	2,370	**2,419**	**2,428**
Long-term borrowings	54,319	55,872	**44,404**	**45,409**

The fair values of other financial assets, short-term borrowings and 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 44(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 Group 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.

44 FINANCIAL INSTRUMENTS *(CONTINUED)*

e. Estimation of fair values *(continued)*

The following tables present the Group's financial assets and liabilities that were measured at fair value:

In HK$ million	As at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at FVOCI (non-current)				
– Unlisted securities	–	–	124	124
Financial assets at FVPL (non-current)				
– Listed securities	104	–	–	104
– Unlisted securities	–	–	653	653
Derivative financial instruments (non-current)	–	243	–	243
Total assets	104	243	777	1,124
Liabilities				
Derivative financial instruments (current)	–	(29)	–	(29)
Derivative financial instruments (non-current)	–	(128)	(9)	(137)
Total liabilities	–	(157)	(9)	(166)

In HK$ million	**As at December 31, 2021**			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at FVOCI (non-current)				
– Unlisted securities	**–**	**–**	**124**	**124**
Financial assets at FVPL (non-current)				
– Listed securities	**61**	**–**	**–**	**61**
– Unlisted securities	**–**	**–**	**1,670**	**1,670**
Derivative financial instruments (non-current)	**–**	**146**	**–**	**146**
Derivative financial instruments (current)	**–**	**25**	**–**	**25**
Total assets	**61**	**171**	**1,794**	**2,026**
Liabilities				
Derivative financial instruments (non-current)	**–**	**(128)**	**–**	**(128)**
Total liabilities	**–**	**(128)**	**–**	**(128)**

44 FINANCIAL INSTRUMENTS *(CONTINUED)*

e. Estimation of fair values *(continued)*

Instruments included in level 1 comprised investments in listed instruments classified as financial assets at FVPL.

Instruments included in level 2 comprised mainly cross currency swap contracts, interest rate swap contracts and foreign exchange forward contracts classified as derivative financial instruments.

Instruments included in level 3 comprised investments in unlisted instruments classified as financial assets at FVOCI or financial assets at FVPL and the OTT Preference Shares Derivative classified as derivative financial instruments.

Specific valuation techniques used to value financial instruments include:

– 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.

– The fair value of the OTT Preference Shares Derivative is determined using the with and without method, which includes key inputs of the underlying preference share price, a marketability discount and the probability of certain liquidity events.

Investments in unlisted investment funds that are not traded in an active market are valued based on information derived from individual fund reports, or audited reports received from respective fund managers and adjusted by other relevant factors if deemed necessary. For other investments in unlisted instruments, the Group establishes 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.

The key assumptions adopted in the valuation models include market multiples and discount rates which are based on historical patterns and industry trends of comparable companies. The fair values of these Level 3 instruments may differ significantly if there are material changes to the underlying assumptions applied in the relevant fair valuation models.

The main level 3 input used by the Group for the valuations of other unlisted investments included in Level 3 instruments pertains to the use of recent arm's length transactions, reference to portfolio statements, and reference to other listed instruments that are substantially the same.

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.

44 FINANCIAL INSTRUMENTS *(CONTINUED)*

e. Estimation of fair values *(continued)*

The following tables present the changes in level 3 assets/(liabilities):

In HK$ million	2020			
	Financial assets at FVOCI – unlisted securities	Financial assets at FVPL – unlisted securities	Contingent consideration payable	Derivative financial instruments – OTT Preference Shares Derivative
Beginning of year	124	817	(37)	(14)
Additions	–	70	–	–
Disposals	–	(118)	–	–
Settlement	–	–	45	–
Fair value movement recognized in other losses, net	–	(116)	(6)	5
Accretion on liability recognized in finance costs	–	–	(2)	–
End of year	124	653	–	(9)

In HK$ million	**2021**		
	Financial assets at FVOCI – unlisted securities	**Financial assets at FVPL – unlisted securities**	**Derivative financial instruments – OTT Preference Shares Derivative**
Beginning of year	**124**	**653**	**(9)**
Additions	**–**	**1,301**	**–**
Disposals	**–**	**(287)**	**–**
Fair value movement recognized in other losses, net	**–**	**3**	**9**
End of year	**124**	**1,670**	**–**

The estimated fair value of level 3 financial assets as at December 31, 2021 was HK$1,794 million (2020: HK$777 million).

f. Group's valuation process

The Group performs and monitors 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.

45 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	289	**536**
Investment properties	6	**–**
Property development projects	106	**–**
Acquisition of property, plant and equipment	1,830	**820**
	2,231	**1,356**

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 Group had other outstanding commitments as follows:

In HK$ million	2020	2021
Purchase of rights to broadcast certain TV content	1,676	**962**
Operating expenditure commitments	3,455	**776**
	5,131	**1,738**

45 COMMITMENTS *(CONTINUED)*

d. Lease receivables

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	219	**32**
After 1 year but within 2 years	185	**14**
After 2 years but within 3 years	152	**8**
After 3 years but within 4 years	74	**1**
After 4 years but within 5 years	52	**–**
After 5 years	117	**–**
	799	**55**

The Group leases 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.

46 CONTINGENT LIABILITIES

In HK$ million	2020	**2021**
Performance guarantees	1,573	**1,570**
Payment guarantees	16	**117**
Guarantees in lieu of cash deposit	298	**21**
Others	23	**22**
	1,910	**1,730**

The Group and its associates operate across several jurisdictions and is subject to certain queries from relevant tax authorities in respect of tax treatment of certain matters currently underway. As at December 31, 2021, the Group and its associates were unable to ascertain the likelihood of the outcome of these tax queries, other than those provided for. Based on the currently available information and assessment, the directors are of the opinion that these cases will not have a significant financial impact to the Group.

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

47 BANKING FACILITIES

Aggregate banking facilities as at December 31, 2021 was HK$42,859 million (2020: HK$44,274 million) of which the undrawn facilities amounted to HK$20,528 million (2020: HK$16,879 million).

Majority of the Group's banking facilities are subject to the fulfillment of covenants relating to certain of the Group's consolidated statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand and the undrawn facilities would be cancelled. The Group regularly monitors its compliance with these covenants. As at December 31, 2021, the Group was in compliance with the covenants relating to the banking facilities. Further details of the Group's management of liquidity risk are set out in note 44(b).

Summaries of short-term and long-term borrowings are set out in notes 30(f) and 31 respectively.

Security pledged for certain banking facilities includes:

In HK$ million	2020	**2021**
Property, plant and equipment	2,290	–
Investment properties	3,617	–
Properties held for development	2,229	–
Restricted cash	11	–
Cash and cash equivalents	164	–
	8,311	–

48 BUSINESS COMBINATIONS

a. Acquisition of PCCW Solutions Data Centers Malaysia Sdn. Bhd. (the "Data Centers Malaysia") in 2020

Pursuant to the share purchase agreement dated August 28, 2020, the Group completed the acquisition of 100% of the issued share capital of Data Centers Malaysia on September 25, 2020 for a total consideration of RM134 million. Data Centers Malaysia is a company incorporated in Malaysia and is engaged in the provision of data center services. The acquisition will help accelerate Solutions Business's presence and growth in Malaysia.

The Group is 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. During the year ended December 31, 2021, the purchase price allocation process has been finalized. The fair values of the acquiree's identifiable assets, liabilities and contingent liabilities are concluded to be the same as their provisional amounts as at the date of acquisition. As a result, no adjustment to the provisional amounts and goodwill for the year ended December 31, 2021 is required.

48 BUSINESS COMBINATIONS *(CONTINUED)*

a. Acquisition of PCCW Solutions Data Centers Malaysia Sdn. Bhd. (the "Data Centers Malaysia") in 2020 *(continued)*

i. Details of net assets acquired and goodwill in respect of the acquisition of Data Centers Malaysia at the acquisition date were as follows:

In HK$ million	Net assets acquired and goodwill
Purchase consideration settled in cash	258
Less: fair value of net assets acquired	(139)
Goodwill on acquisition	119

The goodwill reflects synergies expected from the expanded coverage of Solutions data centers business for the Group's global customers as at the acquisition date. None of the goodwill is expected to be deductible for tax purposes.

The assets and liabilities of Data Centers Malaysia at the acquisition date were as follows:

In HK$ million	Fair value
Property, plant and equipment	45
Intangible assets	31
Trade receivables, prepayments, deposits and other current assets	5
Cash and cash equivalents	2
Assets classified as held for sale	132
Trade payables, accruals and other payables	(68)
Deferred income tax liabilities	(8)
Net assets acquired	139

In HK$ million	Net cash outflow
Purchase consideration settled in cash	258
Less: cash and cash equivalents acquired	(2)
Total net cash outflow for the year ended December 31, 2020	256

48 BUSINESS COMBINATIONS *(CONTINUED)*

a. Acquisition of PCCW Solutions Data Centers Malaysia Sdn. Bhd. (the "Data Centers Malaysia") in 2020 *(continued)*

ii. Discontinued operations

As disclosed in note 5, on December 3, 2021, the Group has completed the divestment of the Discontinued Data Center Business, which included the sale of the Group's entire equity interest in Data Centers Malaysia.

iii. Acquisition-related costs

Acquisition-related costs of minimal amount were included in general and administrative expenses charged to the profit from discontinued operations for the year ended December 31, 2020.

iv. Revenue and profit contribution

Data Centers Malaysia contributed revenue of HK$10 million and profit before income tax from discontinued operations of HK$5 million to the Group for the period from the completion date of the acquisition on September 25, 2020 to December 31, 2020. If the acquisition had occurred on January 1, 2020, the revenue and profit before income tax from discontinued operations for the year ended December 31, 2020 would have been HK$27 million and HK$18 million, respectively.

b. Acquisition of an attributable 11.2% equity interests in Jietongda in 2020

With effect from July 1, 2020, the Group, via a non-wholly owned subsidiary of the Company, acquired an attributable 11.2% 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 Group's telecommunications business in the PRC. The aggregate consideration was not material to the Group. The Group accounted for Jietongda as an associate before the acquisition. Subsequent to the acquisition, Jietongda is consolidated by the Group as the Group owns more than one half of the shareholders' voting rights and voting rights in the board of directors of Jietongda.

49 CHANGES IN OWNERSHIP INTERESTS IN PCCW MEDIA LIMITED AND ITS SUBSIDIARIES WITHOUT A LOSS OF CONTROL

On September 30, 2020, the Group completed the transfer of the entire issued share capital of PCCW Media Limited, the then indirect wholly-owned subsidiary of the Company to HKT Interactive Media Holdings Limited, an indirect wholly-owned subsidiary of HKT. As a result of the transfer, the Company's economic interest in PCCW Media Limited reduced from 100% to approximately 52.0% with a corresponding increase in non-controlling interests attributable to PCCW Media Limited of HK$263 million recorded in the consolidated financial statements for the year ended December 31, 2020.

50 SUBSEQUENT EVENT

On January 18, 2022, HKT Capital No. 6 Limited, an indirect non-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.

(Amount expressed in Hong Kong dollars unless otherwise stated)

51 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 Group.

FIVE YEAR FINANCIAL SUMMARY

For the year ended December 31, 2021

Results

In HK$ million	2017[#]	2018	2019	2020*	**2021**
Continuing operations					
Revenue	36,832	38,850	37,521	35,984	**38,654**
Cost of sales	(18,344)	(20,642)	(18,907)	(19,189)	**(21,269)**
General and administrative expenses	(12,859)	(12,970)	(13,462)	(12,553)	**(12,669)**
Other (losses)/gains, net	(35)	643	498	(563)	**(45)**
Interest income	133	134	86	67	**69**
Finance costs	(1,636)	(1,899)	(1,958)	(1,638)	**(1,401)**
Share of results of equity accounted entities	54	68	33	(25)	**572**
Profit before income tax	4,145	4,184	3,811	2,083	**3,911**
Income tax	(1,061)	(1,134)	(941)	(705)	**(1,065)**
Profit for the year from continuing operations	3,084	3,050	2,870	1,378	**2,846**
Discontinued operations					
Profit/(Loss) for the year from discontinued operations	1,143	–	–	(729)	**101**
Profit for the year	4,227	3,050	2,870	649	**2,947**
Profit/(Loss) attributable to:					
Equity holders of the Company	2,038	897	681	(1,020)	**1,039**
Holders of perpetual capital securities	–	–	–	–	**226**
Non-controlling interests	2,189	2,153	2,189	1,669	**1,682**

Assets and Liabilities

As at December 31

In HK$ million	2017[#]	2018	2019	2020	**2021**
Total non-current assets	66,298	72,754	78,027	80,528	**75,602**
Total current assets	26,226	21,473	20,868	17,311	**18,621**
Total current liabilities	(15,127)	(14,592)	(16,287)	(18,334)	**(21,615)**
Total non-current liabilities	(55,505)	(60,026)	(64,636)	(65,951)	**(57,126)**
Net assets	21,892	19,609	17,972	13,554	**15,482**

Distributable Reserves of the Company

As at December 31

In HK$ million	2017	2018	2019	2020	**2021**
Distributable reserves of the Company	18,905	19,104	19,264	19,314	**19,219**

[#] 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), and the operations discontinued during the year ended December 31, 2018 in the financial year 2018.

* The results for the year ended December 31, 2020 have been restated to reflect the operations discontinued during the year ended December 31, 2021, whereas the results prior to the year ended December 31, 2020 have not been restated for this purpose.

INVESTOR RELATIONS

DIRECTORS

The directors of the Company as at the date of the announcement of the 2021 Annual Results are:

Executive Directors:
Li Tzar Kai, Richard *(Chairman)*
Srinivas Bangalore Gangaiah (aka BG Srinivas)^ *(Group Managing Director)*
Hui Hon Hing, Susanna^ *(Group Chief Financial Officer)*

Non-Executive Directors:
Tse Sze Wing, Edmund, GBS
Mai Yanzhou *(Deputy Chairman)*
Meng Shusen
Wang Fang
Wei Zhe, David

Independent Non-Executive Directors:
Aman Mehta
Frances Waikwun Wong
Bryce Wayne Lee
Lars Eric Nils Rodert
David Christopher Chance
David Lawrence Herzog

GROUP GENERAL COUNSEL AND COMPANY SECRETARY

Cheung Hok Chee, Vanessa

REGISTERED OFFICE

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Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong
Telephone: +852 2888 2888
Fax: +852 2877 8877

ANNUAL REPORT 2021

This Annual Report 2021 in both English and Chinese is now available in printed form from the Company and the Company's Share Registrar, and in accessible format on the websites of the Company (www.pccw.com/ir) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk).

Shareholders who:
A) received the Annual Report 2021 using electronic means through the website of the Company 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 the Company c/o the Company's Share 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: pccw@computershare.com.hk

Shareholders who have chosen (or are deemed to have agreed) to receive the corporate communications of the Company (including but not limited to the Annual Report 2021) using electronic means through the Company's website 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 Company's Share Registrar, be sent the Annual Report 2021 in printed form, free of charge.

Shareholders may change their choice of language and/or means of receipt of the Company's future corporate communications at any time, free of charge, by reasonable prior notice in writing or by email to the Company's Share Registrar.

^ *Subsequent to the date of this report, Srinivas Bangalore Gangaiah retired as Group Managing Director and Executive Director with effect from February 28, 2022, and Hui Hon Hing, Susanna was appointed as Acting Group Managing Director with effect from March 1, 2022.*

LISTINGS

The Company's shares are listed on The Stock Exchange of Hong Kong Limited and traded in the form of American Depositary Receipts ("ADRs") on the OTC Markets Group Inc. in the United States. Each ADR represents 10 ordinary shares of the Company. Certain guaranteed notes and securities issued by subsidiaries of the Company are listed on the Singapore Exchange Securities Trading Limited and the Taipei Exchange (as the case may be).

Owners of record as of the close of business on the ADR record date of American Depositary Shares can vote by proxy at the annual general meeting by completing a voting instruction card provided by the Depositary Bank. The Depositary Bank will tabulate and transmit the amount of ordinary share votes to the Company before the annual general meeting.

Additional information and specific inquiries concerning the Company's ADRs should be directed to the Company's ADR Depositary at the address given on this page.

Other inquiries regarding the Company should be addressed to Investor Relations at the address given on this page.

STOCK CODES

The Stock Exchange of Hong Kong Limited	0008
Reuters	0008.HK
Bloomberg	8 HK
ADRs	PCCWY

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

ADR DEPOSITARY

Citibank, N.A.
PCCW American Depositary Receipts
Citibank Shareholder Services
P.O. Box 43077
Providence, Rhode Island 02940-3077, USA
Telephone: +1 877 248 4237 (toll free within USA)
Telephone: +1 781 575 4555
Email: citibank@shareholders-online.com
Website: www.citi.com/dr

SHARE INFORMATION

Board lot:	1,000 shares
Issued shares as at December 31, 2021:	7,729,638,249 shares

DIVIDENDS

Dividends per ordinary share for the year ended December 31, 2021

Interim	9.36 HK cents
Final	27.69 HK cents*

** Subject to the approval of shareholders 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 register of members (for determination of shareholders who qualify for 2021 final dividend)	May 19-20, 2022 (both days inclusive)
Record date for 2021 final dividend	May 20, 2022
Payment of 2021 final dividend	On or around June 1, 2022

INVESTOR RELATIONS

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WEBSITE

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Forward-Looking Statements

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

These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. Consequently, actual results could differ materially from those expressed, implied or forecasted in the forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include:

- our ability to execute our business strategy to expand our businesses locally and overseas, including entering into business combinations, strategic investments and acquisitions and challenges in growing business organically;
- our ability to develop our growth businesses in media and IT services;
- possible negative effects of potentially new regulatory developments;
- increased competition in the media markets and the IT services markets in which PCCW Group operates;
- increased content costs, changes in customer viewing habits or changes in technology;
- increased competition in the Hong Kong telecommunications market;
- our ability to obtain additional capital;
- our ability to implement our business plan as a consequence of our substantial debt;
- our exposure to interest rate risk; and
- possible negative market disruptions to the performance and prospects of our businesses resulting from macro-economic, public health and geopolitical uncertainties and other risks and factors beyond our control.

Reliance should not be placed on these forward-looking statements, which reflect the views of the directors and management of PCCW as at the date of this annual report only. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after publication of this annual report.

PCCW Limited (Incorporated in Hong Kong with limited liability)

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PCCW shares are listed on The Stock Exchange of Hong Kong Limited (SEHK: 0008), and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the US (Ticker: PCCWY).

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